

PRECISION

TRADE MARK

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REG. U. S. PAT. OFF.

MICROFILM

ROLL NO.

DIARY

Book 858

June 23-26, 1945

June 23, 1945
10:43 A. M.

Mr. Harry
White:

....Austria, have been prepared and they've been working on it for quite some time. It came to my office for initialing three or four days ago and I didn't have time to go over it until last night. They've been pressing for it, and I want to know whether you would want to go over it before I initial it or whether you'd want me to initial it as member of this committee. It is a very excellent document, incidentally. It is a splendid document. It is on the political directive. We all think it is very good.

HMJr: You are thoroughly satisfied?

W: Yes. This is an amazingly good document.

HMJr: What?

W: We think it is an amazingly good document.

HMJr: Well, if you are thoroughly satisfied you initial it as a member of a committee and let her go.

W: Yeah, but that will represent the Treasury approval. That's what...

HMJr: All right..

W: Now, shall I send you a memo giving you the digest of it, or send you a copy and if you get a chance you might want to...

HMJr: Give me a digest of it, but if you are satisfied don't hold it up, let it go.

W: All right, sir.

HMJr: What?

W: Right.

HMJr: I can't do any more than that, but you've got to tell me that you are thoroughly satisfied.

W: Yes, we are thoroughly satisfied and I'm sure you would be pleased at it.

HMJr: O. K.

W: Fine. Bye.

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23 JUN 1945

Dear Dr. Kung:

I am glad to receive your letter of 9 June, 1945, and needless to say, I was pleased to have the opportunity of seeing you again the other day.

I appreciate your assurance that the Central Bank of China will continue to cooperate with the United States Army and Navy Forces in China. We in the Treasury realize the difficulties involved in supplying our forces with adequate amounts of currency and in making available banking facilities within China.

Your expression of gratification that arrangements have been made to ship to China the remainder of the \$200 million of gold is appreciated. As you know, the easing of the transportation situation has facilitated going forward with these shipments.

I am looking forward to the pleasure of seeing you again.

Sincerely yours,

Signed: H. Morgenthau, Jr.

Honorable H. H. Kung,
Room 4201,
Waldorf-Astoria Hotel,
New York, New York.

ISF/BA/efs 6/22/45

THE CENTRAL BANK OF CHINA

HEAD OFFICE

CHUNGKING, CHINA

CABLE ADDRESS
"GOVERNMENT"

June 9, 1945.

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

Dear Mr. Morgenthau,

First of all, I wish to tell you that it gave me great pleasure to have seen you today. After months of illness, it was good to be able to get around and talk to old friends again.

Your letter of June 8, 1945 reached me just as I returned from visiting you and I wish to thank you for giving the necessary instructions to transfer the \$35 million out of the unused portion of the \$500 million loan for the purchase of banknotes. With reference to the \$25 million for the purchase of textiles, I am glad to know that you will have transfers made up to this amount at such times as the purchases are made.

I wish to take this opportunity to tell you that I was deeply gratified by the arrangement you have made with Dr. T. V. Soong for a schedule of shipment for transporting to China the remaining part of the \$200 million worth of gold.

I also wish to take this occasion to assure you that the Central Bank of China will continue to cooperate fully with the United States Army and Navy forces in China. I, as the Governor of the Bank, will make sure that our joint military effort is never delayed because of currency or monetary needs. We have cooperated fully for many years together and I would not want anything to mar this good record during the last phase of our common struggle against Japanese militarism and aggression.

With best personal regards,

Sincerely yours,


H. H. Kung.

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June 23, 1945

MESSAGE FOR MR. MATTHEW CONNELLY, SECRETARY TO THE
PRESIDENT:

I have just received the message that you gave to
FitzGerald. Please thank the President for me on
his prompt action in this matter.

Henry Morgenthau, Jr.

TREASURY DEPARTMENT

Fiscal Assistant Secretary

To MRS. MC HUGH

I have reported these totals
to the Secretary.

As I know he does not want
written reports, I just wondered
whether you wanted to send this
statement in or return it to me.

Mr. Bartelt



OFFICE OF CHAIRMAN
TREASURY DEPARTMENT

INTERDEPARTMENTAL WAR SAVINGS BOND COMMITTEE
WASHINGTON

June 23, 1945

MEMORANDUM FOR THE SECRETARY:

As of June 18, the standing of bureaus and offices of the Treasury Department in the Seventh War Loan is as follows:

I. OVER THE TOP

Office	Per cent of Quota
War Finance Division	216%
Office of General Counsel	183%
Office of Chief Clerk	155%
Procurement Division	151%
Foreign Funds Control	129%
Division of Monetary Research	127%
Secret Service	126%
Bureau of Public Debt	114%
Interdepartmental War Savings Bond Committee	111%
Bureau of Accounts	108%
Supt. of Treasury Bldg.	108%
Comptroller of the Currency	107%
Div. of Research and Statistics	105%
Division of Personnel	104%
Office of the Secretary	103%

II. WILL REACH QUOTAS

Bureau of Customs	98%
Division of Tax Research	98%
Bureau of Narcotics	97%
Office of Treasurer of U. S.	93%
Bureau of the Mint	88%
Bureau of Internal Revenue	80% 1/

I have been assured by the heads of all of the above offices that their quotas will be reached or surpassed. The Bureau of Internal Revenue telegraphed recently to its larger field offices for an estimate of the prospects of making their quotas, and the replies were favorable with very few exceptions.

1/ Later report shows Internal Revenue 90%.

- 2 -

III. DOUBTFUL

Bureau of Engraving and Printing 81%

A special effort is being made to help the Bureau of Engraving and Printing meet its quota. The Interdepartmental War Savings Bond Committee and my personal representative, Mr. W. E. Barker, Jr., are rendering every possible assistance. The prospects for making 100 per cent are hopeful, but by no means certain.

IV. TREASURY AS A WHOLE

The percentage for the Treasury Department as a whole, on June 18, was 92 per cent. Later reports indicate Internal Revenue is up to 90 per cent, making Departmental total 98 per cent. I am certain that the Department will reach its quota when all field reports are in.

V. ALL FEDERAL AGENCIES -- NATION-WIDE

Over-all report not yet available; but indications are that Federal employees will meet their over-all quota of \$305 millions.

VI. FEDERAL EMPLOYEES IN DISTRICT OF COLUMBIA

As of June 18, civilian Federal employees in the District of Columbia had reached 73.1 per cent of their quota of \$29,000,000. Indications are that D. C. total will reach between 95 and 100 per cent.

E. F. Bartelt
Chairman

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28 JUN 1941

28 JUN 1941

My dear General Vandegrift:

The Marine Corps, true to tradition, has shown the same qualities of leadership in the Navy War Bond Program as it has in all other fields of endeavor. I am informed that the Marine Corps currently leads both the Navy and Coast Guard in bond allotment participation.

It is heartening to note that Marine Corps personnel, who have played such a determined part in the march along the rugged road to Tokio, are equally determined to provide for their individual future security.

As Commandant of the U. S. Marine Corps, you have not only given fine leadership and interested support to the Navy War Bond Program, but you have been most generous in giving of your time and effort to the Treasury War Loan drives. This citation is presented to you in recognition of these services. With it go my warm thanks and sincere appreciation.

Sincerely,

(Signed) H. Morgenthau, Jr.

General A. A. Vandegrift, USMC
Commandant, U.S. Marine Corps
Headquarters
Washington, D.C.

My dear Admiral Kinkaid:

Under your leadership, the U. S. Seventh Fleet has emblazoned a proud and victorious record on the pages of history.

Your warm interest in and support of the Navy War Bond Program have enabled Seventh Fleet Personnel to write an equally fine record into Navy War Bond history. By their savings in War Bonds, personnel in your command, who are already doing so much to insure the security of our democratic way of life, are also insuring their individual future financial security.

This citation is presented to you in recognition of the able leadership which you have given to the War Bond Program of the Navy and of the Treasury Department. I extend thanks and congratulations to you.

Sincerely,

(Signed) H. Morgenthau, Jr.

Admiral T. C. Kinkaid, USN
Commander Seventh Fleet
Fleet Post Office
San Francisco, California

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23 JUN 1945

My dear Admiral Waesche:

The U. S. Coast Guard has played a splendid part in the success of the Navy War Bond Program. The Coast Guard record in this respect matches its distinguished record in all other vital phases of the War effort.

Particularly noteworthy is the manner in which the Temporary Members of the Reserve have matched the support given to the program by the regular and reserve officers and men of the U. S. Coast Guard.

This citation is presented to you in recognition of the zealous leadership and support which you have given to the War Bond Program. On behalf of the Treasury Department, heartfelt thanks are extended to you.

Sincerely,

(Signed) H. Morgenthau, Jr.

Admiral H. R. Waesche, USCG
Commandant, U. S. Coast Guard
Headquarters, 1300 K Street, N.W.
Washington, D.C.

U Sent by Secret Service to
Mr. Latta at the White House
at 11:25 A.M., June 23.

June 23, 1945

MESSAGE FOR MR. MATTHEW CONNELLY:

It has been suggested to me that Mr. Smith Troy, Attorney General for the State of Washington, and I am informed now with the Judge Advocate General somewhere in Europe might make a very good Assistant Commissioner of Internal Revenue.

Inasmuch as you are in the State of Washington, I would like you to mention this to the President, and would appreciate your making some inquiries in the state as to Mr. Smith Troy's capabilities. If you hear good things about him, and if the President thinks well of this suggestion, would you make inquiries as to whether or not the friends of Smith Troy think he would like a job of this kind. *Thank you. How many fish did you catch?*

Henry Morgenthau, Jr.

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TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

DATE

June 23, 1945

TO Secretary Morgenthau
FROM John W. Fehle

I saw Mr. Dilweg this morning and the following points were developed:

1. Dilweg has no administrative experience and did not seem to be particularly interested in administrative problems.
2. He is dubious as to whether he would be interested in the proposed job, but will think it over and get in touch with me.
3. He did not impress me as being at all outstanding in ability.

The following statement of Dilweg's background is taken from the Congressional Directory for the 78th Congress:

"LaVern Ralph Dilweg, Democrat, of Green Bay, Wisconsin; was born November 1, 1903, in Milwaukee, Wis.; was graduated from Washington High School in 1921; entered Marquette University in 1922, and had 1 year of engineering; received his law degree, and was admitted to the Wisconsin bar in 1927; married to Kleanor Coleman of swimming fame, Milwaukee, Wis., in 1927; has family of four children -- Jon Coleman Dilweg, 14; Robert Anthony Dilweg, 9; Gary Thomas Dilweg, 8; and Dianne LaVerne Dilweg, 5; moved to Green Bay, Wis., in 1927 and began the practice of law there; at present is a member of the firm of Martin, Clifford & Dilweg, with offices in the Beilin Building; is active in fraternal and civic organizations, being past chapter chairman of the Brown County Red Cross; is a member and past president of the Lions Club of Green Bay; played

- 2 -

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and on the Marquette football team; in 1927 he joined the Packer team, and played through 1934; was a member of the 1929, 1930, and 1931 championship teams; at the present time he is one of the Big Ten officials; elected to the Seventy-eighth Congress on November 3, 1942."

JWF

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 23,
1945TO Secretary Morgenthau
FROM J. W. Pehle

A review of the comments by the Federal Reserve Banks on the reaction to the recent currency order reveals the following:

1. On the whole the banks are accepting the order with good grace and are willing to cooperate.
2. There are a few scattered criticisms as follows:
 - a. The banks fear that the reporting requirements will have an adverse effect on their relations with their customers.
 - b. A few banks question the Constitutional and statutory authority for the order.
 - c. A few of the banks object to the extra work involved.
3. Since the issuance of the order, there has been a marked increase in the inflow of currency in denominations of \$50 and up. At the same time there has been a marked outflow of the smaller denominations.

For example, Philadelphia reports \$26 million in receipts of currency in denominations of \$50 and over in the first fifteen business days in June, as

- 2 -

compared to \$7 million in the corresponding period of May. At the same time, out-payments of large denominations of currency decreased in this area and out-payments of smaller denomination notes increased.

4. There were many expressions of pleasure of the Treasury's deleting the requirement that banks indicate why they regard a particular payment as unusual.
5. Chicago reports that the initial newspaper comments of the Chicago district were critically in tone; probably due to unfavorable publicity inspired by the State Bank Associations of Indiana and Illinois. On the other hand, the Iowa Association expressed approval of the order and pledged cooperation. Chicago reports that since your letter of June 9 and the deletion of one phase of the reporting requirement, the feeling of the banks is much improved.
6. It seems clear that your letter of June 9 did a lot of good in producing a favorable reaction to the Treasury order.



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1945 JUN 20 PM 5 30

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MORGENTHAU

IN PRESIDENT GIDNEY'S ABSENCE, I AM REPLYING TO BELL'S
WIRE JUNE 19 REQUESTING REPORT REGARDING ATTITUDE OF FINANCIAL
INSTITUTIONS WITH RESPECT TO YOUR REQUEST FOR REPORTS OF
CURRENCY TRANSACTIONS.

REACTIONS OF BUSINESSMEN WHICH HAVE COME TO OUR ATTENTION HAVE
BEEN FAVORABLE. REACTION OF BANKERS HAS BEEN SPOTTY, BUT IN THE
MAIN FAVORABLE. YOUR RECENT LETTER TO BANKS ELIMINATING
REQUIREMENT OF "REASON FOR REPORT" AND STATING THAT NO BANK
NEED FEAR GOVERNMENT BECAUSE OF EEXX ERROR IN JUDGMENT HAS
IMPROVED BANKERS' ATTITUDE. IN NO CASE HAS THERE BEEN ANY
CRITICISM OF THE OBJECTIVE, VIZ., TO OVERCOME BLACK MARKETS AND
TAX EVASION. OBJECTIONS VOICED ARE :

1. BANKS DO NOT LIKE TO BE POLICEMEN :
2. COMPLIANCE WITH THE REQUEST WILL NOT BE UNIFORM AMONG
BANKS, WITH THE RESULT THAT BANKS WHICH ARE CONSCIENTIOUS
IN REPORTING FEAR THEY MIGHT LOSE BUSINESS TO BANKS NOT SO
CONSCIENTIOUS OR WHOSE JUDGMENT DIFFERS.

WE HAVE NOTED NO NEWSPAPER COMMENT OTHER THAN THE ORIGINAL
ANNOUNCEMENT, EXCEPT IN PITTSBURGH WHERE THE REPORTING WAS JUST
AND SYMPATHETIC.

THE FOLLOWING SUGGESTIONS HAVE BEEN RECEIVED AND ARE PASSED ON

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TO YOU WITHOUT RECOMMENDATION:

1. PERMIT CUSTOMER TO FILE EXPLANATORY STATEMENT TO BE FORWARDED WITH REPORT.
2. REQUIRE REPORTS FROM WAR BOND CONSIGNMENT AGENTS.
3. CALL IN ALL LARGE BILLS, SUBSTITUTING NEW ISSUES AND REQUIRING REPORTS ON PERSONS CONVERTING.
4. FLAT REQUIREMENT THAT ALL TRANSACTIONS IN BILLS OF CERTAIN SIZE OR OVER OR TRANSACTIONS OVER CERTAIN AMOUNT BE REPORTED WITHOUT REGARD TO LEGITIMACY OR UNUSUALNESS.
5. WAIVE REPORTS ON TRANSACTIONS INVOLVING PURCHASE OF WAR BONDS.

FLOW OF CURRENCY IN THOUSANDS
(MINUS SIGN INDICATES NET PAYMENTS)

	JUNE 1-16 1945	MAY 1-16 1945	JUNE 1-16 1944
CLEVELAND	-5,282	-14,413	-10,567
CINCINNATI	377	- 3,293	- 1,675
PITTSBURGH	-4,924	- 8,421	- 8,328
	-9,869	-26,127	-20,570

AS INDICATED ABOVE, NET OUTWARD FLOW HAS DECREASED.

6TH LN FROM BOTTOM MK HEADING OF THREE COLUMNS

JUNE 1-16 1945 ~~MM~~ MAY 1-16 1945 JUNE 1-16 ~~XXXX~~
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Regraded Unclassified

FLOW OF CURRENCY IN THOUSANDS
(MINUS SIGN INDICATES NET PAYMENTS)

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JUNE 1-16 1945	MAY 1-16 1945	JUNE 1-16 1944
		1944

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FOLLOWING FIGURES FOR FIRST SIXTEEN DAYS OF JUNE 1945 ARE
SIGNIFICANT :

	5'S , 10'S , AND 20'S	50'S AND UP
CLEVELAND	- 8,839	3,803
CINCINNATI	- 1,644	2,157
PITTSBURGH	- 5,494	2,155
	- 15,977	8,115

THESE FIGURES SHOW A NET OUTWARD FLOW OF SIXTEEN MILLION
IN SMALL BILLS AND A NET INWARD FLOW OF EIGHT MILLION IN
LARGE BILLS, SUGGESTING SUBSTITUTION

HAYS .

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MORGENTHAU

1945 JUN 20 PM 4 08

ANSWERING MR BELL'S WIRE OF JUNE 19, 1945, GENERAL REACTION TO CURRENCY REPORTING IN THIS AREA CONTINUES TO BE FAVORABLE. A FEW BANKS MENTIONED THE EXTRA WORK INVOLVED IN MAKING THE REPORTS. THE WAIVING OF THE REQUIREMENTS AS TO THE REASONS FOR REPORTING THE TRANSACTIONS HAS EVOKED FAVORABLE COMMENTS. QUESTIONS RAISED HAVE BEEN OF A TECHNICAL NATURE AND NOT RELATED TO PROPRIETY OF ORDER. NEWSPAPER REPORTS HAVE BEEN CONFINED TO FACTUAL STATEMENTS.

ONE COUNTRY BANK REPORTS CONSIDERABLE EXCITEMENT IN ITS CITY AS A RESULT OF VISITS, SINCE PUBLICATION OF TREASURY'S PROPOSAL TO EXPAND FORCE OF INVESTIGATORS, BY REPRESENTATIVES OF COLLECTOR OF INTERNAL REVENUE WHO WISHED TO EXAMINE THE BANK'S DEPOSIT TICKETS.

RECEIPTS OF CURRENCY ALL DENOMINATIONS IN FIRST 15 BUSINESS DAYS IN JUNE 1945, AMOUNTED TO \$71,400,000 AS COMPARED WITH \$59,500,000 IN CORRESPONDING PERIOD IN MAY. RECEIPTS OF CURRENCY IN DENOMINATIONS OF \$50 AND OVER AMOUNTED TO \$26,000,000 IN FIRST 15 BUSINESS DAYS IN JUNE AS COMPARED WITH \$7,000,000 IN COREESPONDING PERIOD IN MAY. TOTAL PAYMENTS IN FIRST 15 BUSINESS DAYS IN JUNE AMOUNTED TO \$83,000,000 AS COMPARED WITH \$67,500,000 IN CORRESPONDING PERIOD IN MAY. PAYMENTS IN DENOMINATIONS OF \$50 AND OVER AMOUNTED TO \$5,500,000 IN FIRST 15 DAYS IN JUNE AS COMPARED WITH \$8,200,000 IN FIRST 15 DAYS IN MAY.

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SN83WASH B602 NY 20-518

MORGENTHAU - TREASURY

1945 JUN 20 PM 5 36

REURTEL K-187, SUPPLEMENTING OUR PREVIOUS REPORT THERE HAS BEEN SURPRISINGLY LITTLE NEWSPAPER COMMENT AND WE HAVE RECEIVED VERY LITTLE UNFAVORABLE COMMENT FROM THE BANKS NEARLY ALL OF WHICH HAVE EVIDENCED A WILLINGNESS TO COOPERATE. SEVERAL OF OUR NEW YORK CITY BANKS WERE MUCH CONCERNED ABOUT QUESTION #2, THE ELIMINATION OF WHICH WAS PLEASING TO THEM. THE CLEARING HOUSE BANKS HAVE HELD TWO MEETINGS FOR DISCUSSION OF THE PROGRAM WITH A VIEW TO FOLLOWING UNIFORM POLICIES AND MAKING REPORTS EFFECTIVE. WE REGARD ENTIRE PROGRAM AS SATISFACTORY AT THIS TIME.

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SN76WASH B206 LONG BOS 20-1220P

HENRY MORGENTHAU JR

TR DEPT

1945 JUN 20 PM 1 17

PURSUANT TO REQUEST UNDERSECRETARY BELL'S TELEGRAM 19TH, WE SUBMIT FOLLOWING GENERAL REPORT ON CURRENCY ORDER: NEWSPAPER COMMENT TO DATE MOSTLY FACTUAL; CLIPPINGS FORWARDED PURSUANT YOUR PREVIOUS REQUEST. APPROXIMATELY 60 TCR-1 REPORTS RE TRANSACTIONS AGGREGATING ABOUT \$275,000 RECEIVED TO DATE FROM MISCELLANEOUS SMALL BANKS WITHOUT COMMENT BY BANKERS SINCE MAILING OF YOUR LETTER TO BANKS. PREVIOUS COMMENT SCATTERING, MAJORITY FAVORABLE BUT SOME CRITICAL OF EXPECTED ADVERSE EFFECT ON CUSTOMER RELATIONS AND QUESTIONING CONSTITUTIONAL AUTHORITY. MARKED INCREASE IN INFLOW OF CURRENCY IN DENOMINATIONS OF \$50 AND UP, ESPECIALLY IN \$100 BILLS. ALTHOUGH THIS TENDENCY BEGAN BEFORE, IT HAS BEEN ACCELERATED SINCE ISSUANCE OF THE ORDER. CONVERSELY, DURING SAME PERIOD THERE HAS BEEN A MARKED ACCELERATION IN THE OUTFLOW OF SMALLER DENOMINATIONS, ESPECIALLY \$20 BILLS. DURING PAST MONTH ONLY NEGLIGIBLE NET CHANGE IN AGGREGATE CURRENCY IN CIRCULATION.

WILLIAM WILLET, FIRST VICE-PRESIDENT.

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ASSURANCE TELEGRAPH COMPANY

WB4GC26K WASH J196 KC 20-453

HENRY MORGENTHAU, MXXX JR. SECRETARY OF THE TREASURY

REPLYING MR. BELL'S WIRE OF JUNE 19, THERE HAS BEEN LITTLE OR NO

NEWSPAPER COMMENT IN THIS DISTRICT REGARDING RECENT CURRENCY ORDER, AND SUCH COMMENTS AS HAVE BEEN MADE WERE THE REPORTING OF FACTS WITH NO INDICATION OF PRESS BEING FAVORABLE OR UNFAVORABLE. WHILE NOT TOO ENTHUSIASTIC ABOUT ASSIGNMENT, BANKERS GENERALLY EXCEPT IN FEW ISOLATED CASES HAVE INDICATED WILLINGNESS TO COOPERATE TO FULLEST EXTENT AS THEY ARE IN SYMPATHY WITH THE OBJECTIVES. HOWEVER, THEY RECOGNIZE IT AS A DELICATE TASK WHICH REQUIRES HANDLING WITH TACT AND DIPLOMACY TO AVOID EMBARRASSING SITUATIONS WITH CUSTOMERS LEST THEY FEEL CONFIDENCE BETWEEN THEM HAS BEEN VIOLATED. ONE PROMINENT BANKER SAID BANKS WOULD FEEL BETTER ABOUT XXXX ABOUT REPORTING REQUIREMENT IF TREASURY WOULD ASSURE BANKS THAT THIS WAS NOT OPENING WEDGE FOR OTHER ASSISTANCE GOVERNMENT MAY REQUEST OF BANKS IN SIMILAR MATTERS WHICH MAY HAVE TENDENCY TO COME BETWEEN THEM AND THEIR CUSTOMERS. TOTAL PAYMENTS AND RECEIPTS OF CURRENCY, ALL DE NOMINATIONS, BY THIS BANK AND ITS BAXXXX BRANCHES HAVE BEEN ABOUT NORMAL FOR FIRST 19 DAYS THIS MONTH, ALTHOUGH ALL OF OUR OFFICES REPORT RECEIPTS THIS MONTH HAVE INCLUDED SUBSTANTIAL AMOUNT OF LARGE BILLS AVERAGING 4 AND 5 TIMES NORMAL. ALSO SOME INDICATION THAT CURRENCY IN SAFETY DEPOSIT BOXES IS BEING WITHDRAWN AND DEPOSITED IN COMMERCIAL BANKS.

KOPPANG.

TREASURY TELEGRAPH
T E L E G R A P H

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SN89GC16;2-1# M147 DLS 20-435P

BELL

REURTEL 19TH WE HAVE OBSERVED IN THE NEWSPAPERS PUBLISHED IN LARGER CITIES OF THIS DISTRICT NO UNFAVORABLE EDITORIALS WITH REGARD TO THE TREASURY'S CURRENCY REGULATIONS. ON THE OTHER HAND, WE UNDERSTAND SUCH NEWSPAPERS ARE SYMPATHETIC WITH THE PROGRAM AND ARE FULLY COOPERATING WITH IT. WE HAVE CONTACTED THE LARGER BANKS IN DALLAS HOUSTON SANANTONIO AND EL PASO AND NONE OF THEM RAISED ANY QUESTION OF IMPROPRIETY REGARDING THE PROGRAM. THESE BANKS ARE COOPERATING TO THE FULLEST EXTENT, AN OFFICER OF THE LARGER DALLAS INSTITUTION STATING EMPHATICALLY HE WAS AGAINST THE BLACK MARKET AND TAX EVASION. SINCE JUNE 11 1945 OUR HEAD OFFICE HAS PAID OUT \$633,000 IN BILLS OF \$50,XXX \$50 DENOMINATION AND ABOVE AND HAS RECEIVED \$3,006,000 IN SUCH BILLS. PRESIDENT GILBERT IS ATTENDING THE PRESIDENTS CONFERENCE AND IT MIGHT BE WELL FOR YOU TO CONTACT HIM

COLEMAN.

W89 GC42

L165-20 JUNE 20-45-435P

BELL, TREASURY

1945 JUN 21 AM 11:49

REURTEL 19TH. CURRENCY ORDER APPARENTLY RESPONSIBLE FOR SUBSTANTIAL NET RETURN FLOW OF CURRENCY IN LARGER DENOMINATIONS AND FOR A DECREASE IN RATE OF EXPANSION OF TOTAL CURRENCY OUTSTANDING. SPECIFICALLY NET RECEIPTS AT ALL OFFICES OF THIS BANK JUNE 1 TO 19 ARE:

\$2,298,000 IN 100'S

1,631,000 IN 500'S

3,893,000 IN 1,000'S

NEWSPAPER COMMENT HAS BEEN ALMOST NON-EXISTENT SINCE PUBLICATION OF TREASURY'S INITIAL PRESS RELEASE. BANKERS IN PRINCIPAL CITIES GENERALLY APPEAR WILLING TO FILE REPORTS SINCE THE ELIMINATION OF PARAGRAPH 2, PART (C), OF TCR-1. IT APPEARS HOWEVER THERE MAY BE LACK OF UNIFORMITY AMONG BANKS IN DETERMINING TRANSACTIONS TO BE REPORTED. FOR INSTANCE, SOME BANKS ARE UNDECIDED WHETHER

THEY SHOULD REPORT TRANSACTIONS WITH RACE TRACKS AND OTHER GAMBLING OPERATORS WHERE SUCH TRANSACTIONS HAVE BEEN CUSTOMARY AND NOT ILLEGAL. REACTION OF A FEW BANKS STILL APPEARS TO BE UNFAVORABLE ON GROUND THAT A BURDEN HAS BEEN PLACED ON THEM AND CUSTOMER RELATIONS WILL BE DISTURBED. MOST BANKS STATE THEY BELIEVE THE NUMBER OF REPORTABLE TRANSACTIONS WILL BE SMALL, SEVERAL FEELING THAT PUBLICITY HAS FORESTALLED SOME DEPOSITS AND WITHDRAWALS WHICH MIGHT OTHERWISE HAVE BEEN EFFECTED. WE ANTICIPATE SEVERAL HUNDRED REPORTS FOR JUNE WILL BE FILED IN THIS DISTRICT.

CLERK.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 6/23/45

TO Secretary Morgenthau
FROM E. B. Fussell

The most significant feature of the mail reports this week is the continuing number of letters dealing with our tax evasion drive.

The Secretary's and White House mail combined show:

43 applications for jobs
36 reports of evaders
4 (only) letters dealing with Hartford-Elliott Roosevelt loan

Commissioner Nunan and various Bureau of Internal Revenue offices, of course, receive many additional letters of information about tax evasion and applications for jobs, but the number who write the Secretary directly, as contrasted with letters on other subjects, indicates a very general reaction.

Letters regarding instructions to banks, etc., to report currency transactions -- 18 favorable, 3 unfavorable, are also interesting. In this connection, however, one of the unfavorable letters makes the probably significant comment that there is still much adverse criticism among bankers who do not feel called upon to write.

At the start of this new method of analyzing mail I asked War Finance to install a digest system. This has entailed considerably more work than is justified by the results. Unless you disagree, I will ask War Finance hereafter to digest only letters dealing with general subjects, indicating the trend of public opinion, eliminating the letters which deal mainly with suggestions as to types of promotion, etc. The "box score" report by Mrs. Forbush gives a good idea of the general scope of such letters.

E. B. Fussell

31

WAR FINANCE DIVISION

J.W. Morse
to
Mr. Russell

June 23, 1945

DIGEST OF MAIL
FOR
REPORT TO SECRETARY

Constructive Suggestions

Use "Dr. Win The War" as slogan for 8th War Loan in connection with the Roosevelt Memorial Bonds— 1

Put forth more effort to sell bonds at ball parks during the 7th inning stretch— 1

Have system of pin and varied ribbons to designate people who hold bonds certain length of time without cashing them in— 1

(referred to us by Senator Vandenburg, to whom reply directed)

Cultivate more extensively the use by business and individuals of miniatures (as stickers) of War Bond posters— 1

Point up more where we use statistical tables the amount of interest one loses on appreciation bonds by cashing at various dates before maturity— 1

32

War Finance Division

- 2 -

June 23, 1945

Criticism

7th War Loan E Bond quota much too large; why don't we give more attention to F's and G's?— 1

(Executive Manager for Florida)

Postmaster at Ludlow, Miss., giving War Bond program poor cooperation; unwilling to issue bonds unless pressed— 1

(State Chairman for Mississippi)

War Finance Division wastes 16 M. film. Certain private industries using them for their own advertising— 1

(Member State Department of Education, Columbus, O.)

Many people in Iowa charge OPA with bad faith when it cuts canning sugar allowance, and argue that by same token is no assurance Government will redeem War Bonds— 1

(Reported by Executive Manager for Iowa)

33

War Finance Division

- 3 -

June 23, 1945

Miscellaneous

Is it possible to get payment now on a lost Liberty Bond?— 1

Please have Treasury keep landlord from putting Mother out— 1

(Bond selling youngster in New York City)

Can we get help on having OPA release rationed goods for War Bond auctions?— 1

(WFO Committee in Pikeville, Ky.)

Will Treasury endorse campaign by Veterans' organizations of Spencer, Iowa, to use bonds as fund for memorial to veterans of this war?— 1

Private wanting Treasury to get him out of Army so he can work for us— 1

Party in New York turned down by State Committee as volunteers wants us to over-rule decision; would donate Goya if granted— 1

Chain letters involving War Savings Stamps— 3

Songs submitted— 5

Slogans submitted— 4

Poster designs submitted— 2

Poems submitted— 4

Skit for theatres showing superiority of bonds over cash because former can easily be replaced if burned— 1

Suggestion we use editorial from Quitman (Ga.) Free Press stressing fact war is still on so why dream about refrigerators and vacations— 1

Suggestion we use their (Seagram's) War Bond ^{ad.} ~~ad.~~, preaching moderation in drink— "We don't want Bond money" in whiskey— 1

TREASURY DEPARTMENT

INTERNAL OFFICE COMMUNICATION

DATE June 23, 1945

TO Mr. Charles S. Bell
FROM Secretary Morgenthau

During the next few months I think that you can be of special service to me and the Commissioner of Internal Revenue if you arrange to devote a large portion of your time to the administrative problems connected with the Revenue law enforcement expansion.

Specifically, I want you, with *Joseph O'Connell and* Commissioner Nunan's concurrence, to advise and assist in putting into operation adequate procedures for recruiting, training, distributing, promoting, and transferring persons engaged to work on this drive. You should give the Commissioner every assistance possible on problems of space, office equipment, and related administrative services.

I want you, Mr. O'Connell and Commissioner Nunan to examine thoroughly the present organizational setup in the Bureau of Internal Revenue, including the possible need for top administrative personnel. The three of you should submit for my approval such plans for changes as you may agree are necessary to achieve maximum effectiveness in this campaign, and for the permanent improvement of the Bureau.

I am detaching Mr. Elmer Irey from his other duties to assist, temporarily, you and the Commissioner in carrying forward this special program of work.

OK. 10/4/45.

J. H. C.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 23, 1945

TO Secretary Morgenthau
FROM Charles S. Bell *CSB*

Subject: Current Plans for
Internal Revenue Expansion

In addition to the steps already taken and reported to you in earlier memoranda, Commissioner Numan, Mr. O'Connell and I have agreed to the following procedures for expediting the development of a top notch law enforcement organization in the Bureau of Internal Revenue.

PERSONNEL PLACEMENT

Instructions have been issued to Collectors to release five men each to the Special Agents, Intelligence Unit, in their respective districts in order to form a nucleus of trained personnel for the expanding investigative service. These instructions will be supplemented by directions to release an additional number of experienced deputy collectors who are acceptable to the Intelligence Unit and deserving of promotion.

Similar instructions will be issued to Supervising Agents in Charge, Alcohol Tax Unit. Further, experienced Revenue Agents who have shown special interest and aptitude for investigative work shall be transferred if mutually agreeable to the Revenue Agent in Charge and the Special Agent, and approved by the Bureau.

The transfer of these men, with the exception of Revenue Agents, shall be made without prior approval from Washington, and the Collectors shall be automatically authorized to promote

- 2 -

from within to fill vacancies thus created and to recruit locally to fill zone deputy collector positions at the entrance level.

In making these transfers the transferred employee shall, if otherwise entitled to the privilege, be transferred with reemployment rights on the Collector's Office.

Concurrently with the recruitment of new personnel, qualified Revenue Agents and Special Agents shall be promoted in accordance with the Bureau's promotion from within policy.

The previously established ratios for stenographic and clerical employees shall be controlling at this time and all offices are to be instructed to recruit accordingly.

SUPERVISION

In connection with the enlargement of existing and the establishment of additional field offices, supervisors will have to be developed and assigned to construct these offices. Sufficient intermediate supervisors must be developed rapidly in order to maintain an acceptable standard of production and at the same time provide adequate supervision and on-the-job training for the new recruits.

For the most part, the supervisors should be selected from existing personnel in the Special Agents' offices. Consideration should also be given to the best qualified employees transferred from the collectors' offices. Procedural instructions directing the special agents to carry out such plans will be prepared and released to the field.

- 3 -

TRAINING

The training of new recruits and newly appointed supervisors shall be developed by Mr. Elmer Irey, with the concurrence of Commissioner Numan. The existing facilities of the Coordinator's Office and the Bureau of Internal Revenue shall be utilized for this program and it will be carried out in each of the Special Agents' districts. The training program already under way in New York City will serve as a pattern for the other Districts. In the event a given district has no personnel available or qualified to carry out the training program, arrangements will be made to provide training specialists from Washington or other Districts.

CHARACTER INVESTIGATIONS

Character investigations of all new recruits shall be the responsibility of Mr. Elmer Irey, and instructions will be issued to the District Coordinators immediately, outlining the new type of streamlined investigation that is to be made.

SPACE AND EQUIPMENT

With the exception of 25 cities to be covered by the Treasury Department's space control staff, authority to lease space and purchase equipment subject only to post approval by the Bureau shall be granted each Special Agent, Intelligence Unit, and each Revenue Agent in Charge, Income Tax Unit, as well as Collectors. This authority shall be conditioned by the prevailing ratios employed by the Bureau.

Procedural instructions implementing this authority will be prepared immediately. If possible, present recommendations of the Agents for the establishment of field offices in certain cities will be approved immediately to expedite the establishment of the offices.

- 4 -

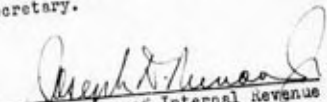
WORK LOAD PROGRAMMING

The Bureau will take immediate steps to survey present operating procedures with a view toward making such changes in organization and methods as may be necessary to channel and distribute the work of the Bureau in harmony with the expansion of respective offices. In this respect it is agreed that the tentative expansion quota set may be subject to change during the next few months.

INSTRUCTIONS AND DIRECTIVES

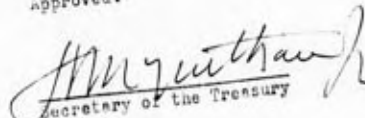
All policy directions regarding personnel, organization, space or equipment shall be promulgated over the signature of the Commissioner of Internal Revenue, with the advice and concurrence of the General Counsel and the Administrative Assistant to the Secretary.

Concurred in:


Commissioner of Internal Revenue


General Counsel

Approved:


Secretary of the Treasury

June 23, 1945

Mr. Charles Bell
Secretary Morgenthau

Congressman Compton White wants me to see Mr. J. Richard
Altiers. He wants me to give him a raise.

Will you please look over the attached personnel record
and talk to me about it Monday?

25

23 JUN 1945

Dear Mr. President:

Under section 18 of the Act approved 24 May 1924 (43 Stat. 144), establishing the Foreign Service Retirement and Disability Fund, deductions from the salary, pay or compensation of employees entitled to the benefits of the Act shall, in effect, bear interest at the rate of 4% per annum. In pursuance to recommendations of the Acting Secretary of the Treasury, approved by President Coolidge under date of 8 August 1927 such portion of the fund not needed for immediate payments is invested in special 4% obligations of the United States.

Section 3 of the Act of 24 April 1939 (Public Law 40, 76th Congress), amended the Act of 24 May 1924 (43 Stat. 144), by providing that any Foreign Service Officer may, at his option and under such regulations as may be prescribed by the President, deposit additional sums to be returned, at the date of his retirement, in a lump sum, or to be used to purchase additional annuities. These additional deposits bear interest at the rate of 3% per annum, compounded on 30 June of each year.

On 28 May 1945 the amount of \$6,000, representing additional deposits not needed for immediate payments, became available for investment for account of the Foreign Service retirement and disability fund. In order that there might be no loss of interest to the fund, this amount was invested in special series of Treasury notes, maturing 30 June 1949 and bearing interest at the rate of 3% per annum, which corresponds to the earning requirements of the Act. It is anticipated that from time to time as additional funds become available, investments will be made in similar Treasury issues for the purpose outlined above.

Since the Second Liberty Bond Act provides that notes may be issued only with the approval of the President, I trust that the method of investment which became effective 28 May 1945 in connection with the amount of \$6,000, meets with your approval.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

The President,

The White House.

Approved:

EH:md 6/8/45

12"

IN REPLY REFER TO:

OFFICE OF THE
ARMY-NAVY LIQUIDATION COMMISSIONER
REV WAR DEPARTMENT BUILDING
WASHINGTON 25, D. C.



June 23, 1945

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

Dear Mr. Secretary:

It was very thoughtful of you to send me a copy of your letter of June 21st to Mr. A. E. Howse, Administrator, Surplus Property Board. Immediately upon receipt of it, I wrote to Governor Hurley as per copy of letter enclosed.

Sen Bell and your staff have been of so much help to us that I was anxious to convey to the Surplus Property Board my wish that they, in answering the letter, express my sentiments.

With warmest personal regards.

Sincerely,

Tom W. Calk

TWM:k

THOMAS B. MCCABE
Commissioner

16-57500-01

12"

23 June 1945

Governor Robert Hurley
Surplus Property Board
Municipal Center Building
Washington, D. C.

Dear Bob:

Secretary Morgenthau has forwarded me a copy of his letter of June 21 to Mr. Rowse, Administrator of your Board, in which he expresses the interest of the Treasury Department in the financial aspects of surplus disposal in foreign countries and their general responsibility for United States foreign financial policy. He says that we have been requesting their advice concerning the acquisition and disposition of foreign currencies, and other financial matters, and states that before they can go any further in advising us they would like a specific request from the Surplus Property Board indicating the extent of the responsibility which the Board would like the Treasury to assume.

In Mr. Rowse's reply I wish you would have him emphasize to the Treasury that I have indicated to you our appreciation of the advice and counsel of the Treasury Department and that you urge them to continue to give us their recommendations. You might call his attention to the paragraph in our Guide for Field Commissioners marked "B. Second Offering" in which it is specifically stated that acceptance of foreign currencies will be "subject to any conditions recommended by the U. S. Treasury and State Departments with respect to the overall acceptable amount of any such currency, the applicable rate of exchange, and the provisions of conversion".

Mr. Rowse might state further that you have been informed by me that we have submitted to the Treasury all of our important documents and drafts of Aide Memores for their recommendations before submitting them to your Board and that I have assured you this practice will be continued.

Sam Ball, Glasser and Guster have all been very cooperative. You will recall Sam Ball's constructive suggestions made at the meeting in my office the forepart of this week. Our desire is to continue having these meetings when we have something important to discuss, and in this manner keep State, Treasury, Commerce, Army, Navy, NRC and yourselves fully informed as to our proposed plans.

I am sincerely grateful for the strong support which you and Colonel Baller have given me in meeting all of our major problems of foreign disposal.

Sincerely,

Signed

THOMAS E. McCAREE
Commissioner

43

TO:

Memo

Matt Connelly
says the President
acted on your
Genl Roosevelt
message right
away.

Connelly called from
Olympic Wash. asked for
E.H. Wilson's address.
4/23/45

From Mr. FitzGerald

12"

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE: 23 June, 1945

TO Secretary Morgenthau (For action)

FROM

Mr. C. F. C. *HDW*

Subject: India's request for the lend-lease of 200 million ounces of silver.

1. The Treasury has been requested by the Government of India to lend-lease 200 million ounces of silver for coinage and open market sales for price stabilization purposes for the sixteen month period of March 1, 1945 to June 30, 1946. This request for 200 million ounces is in addition to the 169 million ounces already lend-leased to India.
2. It is felt that the Treasury should not attempt to assess India's need for silver for the entire sixteen month period in view of the dynamic and rapidly changing conditions in India. Instead it is thought that we should review India's silver requirements every three months with a view to making periodic recommendations covering the ensuing three month period. We have discussed this procedure with representatives of the Government of India and they have indicated no objection to it.
3. As indicated in the attached table, the Government of India, as of June 30, 1945, will have a little less than enough silver to meet its needs during the following three month period, July through September, 1945. Unless India is given immediate assurance that at least three months' supplies will be forthcoming through lend-lease during the next few months, she will have to curtail sharply her use of silver or face the prospect of complete depletion of her silver stocks.
4. It is therefore suggested that the Treasury recommend the immediate lend-lease of 11 million ounces of silver to India, an amount equivalent to about three months' requirements.
5. If these 11 million ounces of silver are lend-leased, it will bring the total of silver lend-leased to India up to 226 million ounces. We will still have outstanding for future determination the remainder of India's 200 million ounce request, i.e. about 169 million ounces.

OK. Wm

12"

Government of India Silver PositionAs of June 30, 1945

(million ounces)

Silver Stock and Receipts:

Net Balance on hand, March 1, 1945	25.0
Lend-lease silver received in March	20.0
Lend-lease silver received in June	<u>45.0</u>

90.0

Silver Consumption March 1 - June 30, 1945:

Coinage	27.6
Sales	<u>26.4</u>

54.0Stock on hand June 30, 1945

36.0

Needs for three month period June 30 to September 30, 1945

Coinage	20.7
Sales for stabilisation purposes	<u>19.8</u>

40.5

25
June 23, 1945.

My dear Mr. Ludlow:

Reference is made to your letter of June 6, 1945 concerning the instructions relating to reports of currency transactions recently issued by this Department.

With respect to the first of your specific questions, I wish to state that the instructions were issued for the purpose of furthering our efforts to stamp out serious evils of tax evasion which have arisen under wartime conditions. It is our intention to withdraw the instructions at the earliest moment consistent with this purpose.

Secondly, it should be noted that although the instructions do not expressly specify the minimum size of transactions to be reported, they indicate that, except in unusual circumstances, only transactions involving \$1,000 or more of currency in denominations of \$50 or higher, or involving \$10,000 or more of currency in any denominations need be listed. This Department intends to follow a common sense policy in administering the reporting requirements and it hopes that financial institutions will be guided by similar considerations. It would be an undue administrative burden on both reporting institutions and this Department if reports were made of insignificant transactions.

Thirdly, since existing statutes amply authorize the issuance of the instructions, this Department regards special legislation on the subject as unnecessary.

Nevertheless, this Department certainly could have no objection to the consideration of the matter by the Congress. I am sure that there are no valid grounds against continuance of the reporting requirements during wartime until the evasions which they were designed to meet have been overcome.

In the belief that you may find it interesting, I enclose a copy of a statement concerning a letter about the reporting instructions which was recently sent to all banks in this country. In view of the considerations expressed in the letter, it seems clear that the reporting requirements cannot be regarded as an undue infringement upon relationships between financial institutions and their clients. No one who is honestly fulfilling his legal obligations to his government need have any concern that his affairs will be interfered with through the operations of the reporting system. Moreover, as I have already indicated, this Department has made every effort to hold the administrative problems involved in the reporting requirements to a minimum which will not unduly burden financial institutions or the government.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable Louis Ludlow

House of Representatives

Enclosure

Ernold:jss 14 June 1945

June 23, 1945

48
HM Jr had me tell Mr. White that he
should check Mr. DuBois' files here to
see if he could find out what he had taken
with him, and if he couldn't find out here
to write to DuBois.

49

June 23, 1945

Harry White

Secretary Morgenthau

I have just read Joe DuBois' letter from Paris. I note that he says he has a memorandum which he has been showing various people. Do you know what that memorandum is? I wish you would get a copy of it and show it to me as soon as possible.

50

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 23, 1945

TO Secretary Morgenthau
FROM Mr. White

This refers to your note of June 23rd, asking about the memorandum which Joe Dubois stated he had been showing various people.

I don't know what memorandum he refers to. I have spoken to Mr. Coe and Mr. Glasser; we all feel it must be some of the chapters of the German book which I think he took with him along with some other material on Germany.

If you like, we can ask him to specify what it was that he referred to.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 23 JUN 1945

TO Secretary Morgenthau

FROM Charles S. Bell *CSB*

Purchases for the week ended 18 June 1945 effected by the Procurement Division totaled \$8,388,008.95 of which \$7,000,000 was Lend Lease; \$150,000 was UNRRA, and \$408,008.95 was regular.

Unusual requisitions included 231,000 wool blankets for civilian relief by UNRRA in the amount of \$875,500; 3,340,000 pounds of truck tires and tubes, and tractor tires and tubes for meeting civilian needs in operations relating to military occupation of conquered territories and redeployment of allied troops in the amount of \$1,540,000; 20,000 pairs of pliers for Australia in the amount of \$15,300; 120 cotton dusters for combatting malaria mosquitoes in flooded areas of the Netherlands in the amount of \$1,508.00; 10,880,000 pounds of raw wool for the Belgian government in the amount of \$4,342,021.25; 1,000,000 pounds of rayon tire cord fabric for the United Kingdom in the amount of \$1,235,000; 20,000,000 pounds of cotton fabrics for China to be used in barter transactions for obtaining supplies for Chinese troops. Side are now being solicited for 200,000 pounds of Cascarra Sagrada, for making pharmaceuticals in the United Kingdom, in the amount of \$88,500.

Unusual purchases included 250,000 pill boxes for use by civilian hospitals in Italy in the amount of \$237.00; 2 loud speakers with amplifiers, associated microphones and cable for the Department of Justice in the amount of \$2,132.96; 50 sixty watt portable P.M. stations in disguised trunk form for the Department of Justice in the amount of \$21,000.

- 2 -

Seven new assignments were received by the Procurement Price Adjustment Board, and ten cases were disposed of involving determinations of \$775,000.

An inquiry was received from the Philippine government in regard to Procurement furnishing school supplies to it. Most of an earlier order for the Philippine government amounting to about \$180,000 has been loaded on board ship.

The Office of Surplus Property, Department of Commerce, was requested to discuss with the Surplus Property Board an amendment to its Regulation No. 2 to facilitate the issuance of surplus property through the stores and issue warehouses of the Procurement Division.

A case history is being prepared covering all commodities purchased under authority of Public 117, approved 7 June 1939. This report also compares the Army and Navy Munitions Board tentative specifications with those used in making purchases for the current stockpile.

In connection with the Lend-Lease Program, the du Pont Company has reported the re-use of 37,000 additional bobbins returned from the United Kingdom with resultant savings of \$14,877.35.

There were two meetings of the Contract Termination Board at which time four cases were recommended for settlement.

The last report on the Seventh War Loan Drive submitted to the Treasury on 18 June showed Procurement Division (Washington Office) 109% over the top. The field offices gained and the report shows them 116.10%, making an overall for Procurement of 125.1%.

LEAS-LEASE
TREASURY DEPARTMENT-PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U.S. PORTS
AS OF JUNE 18, 1945
(In Millions of Dollars)

	<u>Total</u>	<u>U.K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous Undistributed</u>
Allocations	\$ 5947.0	\$ 2234.3	\$ 2303.4	\$ 159.3	\$ 19.6	\$ 1180.4
Requisitions in Purchase	\$ 176.6	\$ 47.2	\$ 8.2	\$ 24.2	-	\$ 97.0
Requisitions Not Cleared by W.P.B.	\$ 117.3	\$ 22.7	\$ 10.0	\$ 26.1	-	\$ 58.5
Obligations (Purchases)	\$ 5027.0	\$ 2145.5	\$ 2217.5	\$ 121.5	\$ 19.2	\$ 523.3
Deliveries to Foreign Gov'ts at U.S. Ports *	\$ 3983.7	\$ 1998.3	\$ 1733.3	\$ 30.4	-	\$ 221.7

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

U.N.R.R.A.
TREASURY DEPARTMENT - PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U.S. PORTS
AS OF JUNE 16, 1945
(In millions of dollars)

	<u>Total</u>	<u>U.N.R.R.A.</u>	<u>Administrative Expenses</u>
Allocations	\$ 201.0	\$ 200.0	\$ 1.0
Requisitions in Purchase	\$ 39.29	\$ 39.29	-
Requisitions not cleared by W.P.B.	\$ 8.03	\$ 8.03	-
Obligations (Purchases)	\$ 121.23	\$ 120.47	\$.76
Deliveries to Foreign Gov'ts. at U.S. Ports*	\$ 3.58	\$ 3.58	-

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

54



FISCAL ASSISTANT SECRETARY

TREASURY DEPARTMENT
FISCAL SERVICE
Washington



June 23, 1945

TO THE SECRETARY:

In response to your oral request, I am sending you herewith the weekly report relating to payments to veterans.

VETERANS PAYMENTS
UNDER
G. I. BILL OF RIGHTS

	<u>Week ended June 15, 1945</u>		<u>Cumulative</u>	
	<u>Number of</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
	<u>recipients</u>			
Unemployment benefits a/	29,307	\$592,859	\$23,659	\$16,479,128
Self-employed.. b/	2,913	286,618	26,115	2,731,749
Students' subsistence allowances ... c/	640	48,408	11,849	710,259
Tuition and fees for students d/	1,170	116,824	1,910	418,729
Total	34,030	\$1,044,709	\$65,533	\$20,339,925

- a/ \$20 a week; four weeks' allowance for each month of active service, not to exceed 52 weeks.
b/ Difference between monthly earnings and \$100.
c/ \$50 a month without dependents; \$75 with dependents.
d/ Limited to \$500 per annum.

W. B. B. B. B.

56

CABLE TO NOGLELLAND AND KATSKI, HERE, FROM O'DWYER, WAR REFUGEE BOARD

Reference your 3056.

Mr. Earl Harrison and Board approve Katski's accompanying Harrison on forthcoming survey trip. Penrose also agrees but hopes this assignment for Katski will be terminated within three months.

Harrison will communicate with Katski as soon as he arrives in Europe. As soon as itinerary is known, Penrose wishes to be advised.

THIS IS THE NEW CABLE NO. 537

11:20 a.m.
June 23, 1945
Miss Ripple (for the Sec'y), Cohn, Nodel, Hatchison, McCormack, Files.
PHive 6/23/45



COMMANDER THIRD FLEET

June 24, 1945

My dear Mister Secretary:

I am very appreciative of your letter of the eighth of June 1945. It is good to know that my small effort is some help to you in the 7th War Loan Drive. May the fine work of you and your department continue unabated.

Sincerely yours,

W. F. HALSEY,
Admiral, U.S. Navy.

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

58-

June 25, 1945
9:15 a.m.

INTERNAL REVENUE

Present: Mr. D. W. Bell
Mr. C. S. Bell
Mr. Oliphant
Mr. O'Connell
Mr. Irey
Mr. Pehle
Mr. Tickton
Mr. Haas
Mr. Sherwood
Mr. Atkeson

H.M.JR: Good morning.

MR. PEHLE: Good morning.

H.M.JR: Now, where is the Acting Commissioner?

MR. O'CONNELL: He should be here in a minute, because he left his office about fifteen minutes ago and he will be here with Mr. Atkeson. I don't know where he is, but he should be here.

H.M.JR: Well, anyway, Commissioner or no Commissioner, this is what I want, and Internal Revenue is going to have to give it to me, see? George can help me get started, but it is perfectly ridiculous to run his shop like-- Internal Revenue is supposed to collect how many dollars?

MR. HAAS: Forty-seven gross.

H.M.JR: How much?

MR. HAAS: Forty-seven gross.

H.M.JR: And not know what is going on. Now, what I want, George, is this, and I want to start in each field office, see, each Collector's office, sixty-five Collectors' Offices. I don't know how many branches there are.

59

- 2 -

MR. OLIPHANT: There are one thousand three hundred and thirty-two Deputy Collectors' posts of du'y.

H.M.JR: But how many on the kind of things they do in each Collector's office?

MR. OLIPHANT: Inside the office, you mean?

H.M.JR: Yes.

MR. C.S. BELL: They have a Special Agent and in many cases about fourteen Collectors.

H.M.JR: No. I'll tell you what I want. Take Baltimore or take New York. They have got to collect miscellaneous taxes and there is a fellow, I take it, in Baltimore that is a head of Miscellaneous Taxes.

MR. C.S. BELL: I don't think there is.

H.M.JR: It doesn't make any difference. There are miscellaneous taxes. Start at this end with Captain Bliss. I want to take Miscellaneous Tax. I want to know how many men there are in Washington, how many men there are in each place. Now, whatever the Division is for Captain Bliss, how much money is he collecting in each Unit, see? And how far is he behind? And then I want to take the normal income taxes. How many income tax returns are there, what is the backlog, what is each office doing, and how many people are there on a monthly basis? In other words, I want to take each important segment of this work. I don't care whether you start in Washington or at the bottom. I don't want to know about just penal cases, but I want to know, if I have to go back to my original example of Mr. Grant of Chrysler, who knew each night or each morning what every single sales agent--down to accountants--how many cars he sold and how many he had on hand, and I am sure the treasurer's office knew how much money he paid and how much money he owed.

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Now, Mr. Grant, in his heyday, could go into a room and see how many cars he had on the floor, how many were sold on that day, how many were on the way, and all the rest of that for one district. Now, along comes the question from Senator Willis of Indiana, and he asks me, "Why haven't you examined Mr. Hartford's return for 1942?" Well, the only answer I get and the only answer I can give him is, "We have got to compare 1942 and 1943."

MR. O'CONNELL: No, that was a partial answer.

H.M.JR: That's the answer you gave me.

MR. O'CONNELL: No, the memo which I gave you on Friday pointed out the chronology of it. (Attachment A.) The simple answer is we are two years behind in that work.

H.M.JR: But nobody told me that.

MR. O'CONNELL: It has been common knowledge for five years, Mr. Secretary.

H.M.JR: Oh, no, no, no: I will show you a memo quite to the contrary.

(Mr. Sherwood and Mr. Atkeson enter the conference.)

H.M.JR: Good morning, gentlemen.

I will show you a memo which shows that each year was current.

MR. O'CONNELL: I would like to see one of those.

H.M.JR: I will show you one from John Sullivan saying that we are current each year.

MR. O'CONNELL: Bill, you came in in the middle of it.

H.M.JR: Well, I will do it again.

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This is what I want the Bureau to do, and this is an order, gentlemen. I will be reasonable about getting you started, but I think once you get--if you don't hear me, Mr. Sherwood, come up here.

MR. SHERWOOD: I hear you quite well, Mr. Secretary.

H.M.JR: Mr. Haas will help you and everybody else will help you, but I will go back to the example of Mr. Grant who was the greatest sales manager in the world, who was Vice President in Charge of Sales for General Motors, and every morning Mr. Grant would go into a room and for every single agent in the United States he could tell how many cars he sold that day, and how many he had on the floor, and how many were on the way to him. In other words, he was able to keep track of his business.

Now, I don't like to go back too much on back stuff, but last fall I was suddenly told about six million checks that had to go out. I think Mr. Sullivan told me--he isn't here--that he had to get them out on time. I may not be correct, but at least I think I am correct. Then, suddenly they found they couldn't get them out. I was under the impression that the examination of income taxes--I think I have memos in my file which say that each year we are current from the year before. I think I can go back to Mr. Helvering's time, and nobody told me that we are two years behind, see, until I get a letter from Senator Willis asking me why Mr. Hartford--but I am not here to scold you this morning. I am here to make some suggestions, and try to be helpful, but I am going to be very, very insistent that I get what I ask for, see?

Now, they tell me that Mr. Atkeson is trained to do this and can do it very well. This is his business, and if it isn't, when I get through he can tell me so, but that is what I thought he was hired for. Mr. Haas has done this for me, but I was in a far worse jam in Farm Credit when it was a matter of saving people's

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ferms, getting them from each other. But I can see the handwriting on the wall. I haven't been in Washington for twelve years and held a job satisfactorily to two Presidents without learning something, and I am going to insist that I know what any President of a corporation knows, where I stand. I want to know each Division, take Miscellaneous Taxes, and start there. I don't care whether you start at the bottom or whether you start at the top, but start some place. Captain Bliss has so many men, he has so much backlog, he collected so much during the month of June; during the month of June he had so many people at work; each man collected so much money during the month of June; he added so many men or he lost so many men, and we start this the first of July. We can start on Alcohol Tax and do every single Division that you have got. I want to know what the head of that Division did, and I would like to have whatever the Units are. If it is sixty-five Collectors' Offices, you break it down to that. I don't know, but I want a plan.

If you want to break it down on a production basis of the sixty-five Units--you people know you can come back after I told you what I want, but I want to be able to go across the hall once a month, and if necessary, sit down there all day with Commissioner Numan and the rest of you and look this thing over, the work of collecting fifty billion dollars and see whether we are gaining or whether we are losing, how many people we put on it, how many people we lose, and whether the men who are hired to do it are doing something else. So, you can say to me, "Mr. Morgenthau, you made us take the men off this job and do that." Then, it is my fault unless I change.

But I don't want to hear a year from now, "We have another Hartford case. The reason we didn't examine Hartford was because you made us put it on so and so." In other words, I want to know once a month where the Bureau stands on a straight basis breaking it down to as small a unit as is practical. Mr. Atkeson, can you do that?

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MR. ATKESON: Yes, Mr. Secretary, we have been developing the schedules along the lines you're speaking about. Now, in order to get information in consultation, can Mr. Haas and Mr. Tickton, who have indicated an outline, work with us? I spent all day yesterday attempting to develop schedules along these lines with the idea of getting them started coincidental with the first week of the new fiscal year. Now, it's going to push us, of course, to get them out and in effect at that time, but I think we can do that. It's quite a little schedule and we are aware, I think, of exactly what you are driving at and we'll do everything in our power to meet it.

H.M.JR: Do I make myself clear?

MR. ATKESON: Yes, sir.

H.M.JR: I don't know as much about the Bureau as I should, but I'm going to learn more about it, and I'm not going to scold. I want to be helpful, but from here, in my anxiety to get the Bureau the money which Mr. O'Connell and Mr. Numan said you couldn't get in order to carry out our responsibility and through my ballyhooing these things, I've got a blank check from Congress for you. Now I want to make good. I want the Bureau to make good. I want the Bureau to feel it's an integral part of the Treasury, and that my only interest is the reputation of the Bureau. I took the pain Friday--and I did it with a heavy hand--to let it be known that the Congress of the United States was trusting the Bureau to make this investigation of Hartford-- Numan-Hartford-Roosevelt--because the papers were full of the fact that Congress was investigating. I came to the Bureau's rescue out of my office. Did you see it, Mr. Sherwood?

MR. SHERWOOD: I saw it, Mr. Secretary.

H.M.JR: Well, somebody else should have come to it, but I don't want it thought from one end of the country to the other that the Congress of the United States doesn't trust the Bureau. When things get hot I come to the Bureau's rescue, and I wish the people down the line

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in the Bureau would know that I'm their friend. I don't know whether you were in the Bureau when Senator McKellar held up the pay of eight hundred some odd people for three months because he wanted one man fired. I stuck by that fellow and I've also stuck by the Bureau, but I've got to know my task, and if we're two years behind we've got to do those things which are most important, and maybe I'm wrong, but I think we can go ahead on the whole front, but I want to know, so that you don't come to me six months from now and say, "Well, we did the black market; we let everything else go, and it's Morgenthau's fault."

MR. SHERWOOD: Of course, Mr. Secretary, in the Hartford-Roosevelt case there was no examination of any 1942 returns because the tax for that year was eliminated because of the forgiveness and we had no 1942 tax--we had a 1943 tax job. The 1942 returns had to be examined with the 1943, and no examination was conducted for 1942, so 1942 and 1943 became available to us in 1944 of March.

MR. D.W. BELL: So you're not two years behind?

MR. SHERWOOD: No, we're just now working on the 1943 year, which is the only individual tax year we have.

H.M.JR: Well, Mr. Helvering gave me this impression, and he was a very honorable fellow--of course he hasn't been here for a couple of years--we always clean up within twelve months.

MR. SHERWOOD: I think, Mr. Secretary, that needs this qualification. We're making two hundred fifty examinations less in these years than in prior years because of the lack of personnel. We complete all the work we can do, and--

H.M.JR: Can I count on yours and Mr. Numan's support on this?

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MR. SHERWOOD: Complete support, yes. We do have an analysis we've been making on a three-months basis. Now, Dr. Atkeson has been carrying on an operation which is completely, entirely different from everything we do. It gives a breakdown of individuals to corporations. I should like Mr. Tickton to examine that or anyone else who may be designated. It's completed, and so far as the Bureau is concerned--

H.M.JR: They've got to talk with Atkeson, because Haas knows after twelve years how I like things, and that it's not very difficult to present them to me the way I like. But as I understand it, Mr. Atkeson is doing other work, and I hoped you would talk it over with Commissioner Numan, because what I'm asking is an eighteen-hour a day job. He's going to have to build up his staff, and why take a good statistician and make him a representative on the Hill?

MR. SHERWOOD: I think the Doctor has been over it, and it is spread out too thin, and I think he has been given the kind of job he wanted. I think I can give you the kind of job you want if I'm given the opportunity.

H.M.JR: Because of this meeting this morning I wanted your help to accumulate this Saturday and Sunday, because when you people come in tomorrow, you'll be more prepared. I've made it clear in my own mind what I want, see, but I don't know how big a staff Atkeson has. But he has got to get a big enough staff. I want this thing on a monthly basis, and he ought not to do anything else. Okay, Joe?

MR. O'CONNELL: Okay, after a week or so, because I think it would not be right to take Atkeson off the work he is doing with the Ways and Means Committee, because that, Bill, ties very closely in to the sort of thing Mr. Atkeson is very definitely concerned with.

H.M.JR: Well, George will help him all he can until Atkeson can give this thing full time.

MR. HAAS: Tom is a little confused because he wondered if this weekly report--if you still want that. Do you want it monthly now, or--

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H.M.JR: I want to go on a monthly basis right away, a monthly basis, but I'd like to have--I'm one of these thirteen period, four week fellows. Would that be all right with you?

MR. ATKESON: Yes, sir.

H.M.JR: Because a monthly thing is a bad report. Would that be more difficult?

MR. ATKESON: I don't think so.

H.M.JR: I want thirteen reports of four weeks, otherwise--

MR. ATKESON: It's not comparable.

H.M.JR: Thirteen reports of four weeks each.

MR. ATKESON: As a matter of fact, I think it would be more convenient, because we do keep our mailing or assessment list on a weekly basis ending every Friday, so it will all tie in very nicely. I would like to say, Mr. Secretary, that the staff we have now is working not only on this program, but on other programs for Mr. Blough, in connection with the post war tax plans. I think they are all tied in together, and I would like to utilize the services of the same staff in compiling the information that you're interested in.

H.M.JR: Well, look, I'm giving you a job through Mr. O'Connell, through Commissioner Sherwood, to you. Now, you gentlemen know what I want, and I insist on it, and I'm going to get it, and you fellows have to work it out so I get it, and I think I'm doing you a service by insisting on it. But I want to know so I can get-- I can't remember the name, Head of Alcohol Tax, Charles Berkshire--Berkshire, and say, "Look Berkshire, it's wonderful," or, "It's terrible." Get the head of enforcement on something else, "This is good," or "This is bad. Now, what's the matter with it?" You see? So he can sit down and take each of these sections and have the cold facts, what they're doing, and if they say,

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"We haven't got the men", or "We have the men," this man or that, so we can run it like a business. It's the biggest business in the world, and there isn't any other business in the world that can't say where they are as of last night. Okay, gentlemen?

MR. ATKESON: Yes, sir.

H.M.JR: I'll see you again tomorrow at three. You come in and we'll develop those plans, if you will, please.

COPY

ATTACHMENT A

June 22, 1945

Secretary Morgenthau

Joseph J. O'Connell, Jr.

This refers to your inquiry about the article in this morning's Times Herald to the effect that investigation on the Roosevelt-Hartford loan was being held up by the failure of the Bureau to submit necessary information to the Congressional Committees.

This report is based on information obtained from Mr. Norman Cann who is heading up the field investigation which the Bureau is conducting under arrangements discussed with Chairman Doughton and Representative Knutson of the Ways and Means Committee.

The investigations are proceeding as rapidly as possible in New York, Texas and Washington, D. C. The Committee members have expressed anxiety to get the completed reports as early as possible but at the same time they have an understanding of the scope of the examination required and to Mr. Cann's knowledge have not expressed any dissatisfaction with the Bureau's efforts to date. The orders to the key men in the field have been to the general effect to proceed with all possible dispatch, but at the same time strive earnestly for an adequate report which will give sound support to a decision which must be justified not only in Congressional inquiries, but also possibly before the courts in case of litigation.

Apparently Mr. Stam reported yesterday to members of the Joint Committee. We had no representative present at that time. Mr. Stam did advise Mr. Cann in advance of his report that he would recommend that the Committee await its detailed investigation until the completion of the Bureau's report. There was no indication of any criticism as to the progress being made by the Bureau.

There follows a more detailed statement as to the chronology of events and the character of the investigation under way.

On June 15 Mr. Cann conferred with Messrs. Doughton, Knutson and Stam, advising them that the Bureau would like to proceed with a thorough investigation before formally reporting to the Committee and asking that they be permitted to get all the facts. This was agreed to.

Immediately, one of the key men of the New York office, Mr. Olson, was called to Washington and directed to undertake an investigation of Mr. Hartford's 1942 and 1943 returns.

The agent in charge at Dallas was instructed at the same time to proceed with an investigation of Elliott Roosevelt's returns, and, in addition, to investigate the radio company which was the subject of the loan (Texas State Networks, Inc.), the stock of which was pledged as collateral for the loan. The Texas agent was also directed to examine into the properties reported to have been set aside in trust by Elliott Roosevelt.

The New York agent was also directed to investigate the new radio company which was to be organized, known as Transcontinental Broadcasting Company, Inc., which required the securing of information at sources in Pittsburgh, Delaware and Texas.

At the same time a further investigation was directed in Washington, D. C., with respect to the four thousand dollar check reportedly paid in settlement of the bad debt.

Mr. Cann has been in daily communication with both New York and Texas in directing and expediting the investigation.

The New York investigation of Mr. Hartford's returns is proceeding satisfactorily and is expected to be concluded next week. Mr. Hartford has been cooperating with the agents in furnishing all requested information.

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The Texas investigation relating to Elliott Roosevelt's returns has encountered greater difficulties, because of inability to locate all necessary records, the fact that he maintained several bank accounts, and the variety of tax advisers who participated in making his returns.

When the report is in order it is intended to take the matter up with you before submitting any information to the Committee.

June 25, 1945
9:30 a.m.

GROUP

Present: Mr. D. W. Bell
Mr. Gaston
Mr. C. S. Bell
Mr. Peale
Mr. Haas
Mr. O'Connell
Mr. Coe
Mr. White
Mr. Luxford
Mr. Bartelt
Mr. Fussell
Mrs. Klotz

H.M.JR: Good morning. Now, look, Fussell, before you sit down, so you can watch the time. Just sit down. I would like you to sit in on this so-called ten o'clock press conference starting with this morning that Charlie Shaeffer has, see? After all, over at the White House when they have a press conference, Mr. Ross has it even if the President doesn't have it, see? And I don't know what Charlie Shaeffer does at ten o'clock. I never could find out. Certainly the suggestions I made about the Hartford thing he handled with a sledge hammer, and I would like you to go up there this morning at ten o'clock if he is going to have one, and just sit in and listen, looking forward to your holding those instead of his holding them.

I don't know how many press men you have around. You should have Charlie Shaeffer there and Irving Perlmeter there. There is one at Procurement. I'd have him in. I don't know how many press men you have around Treasury, but I think it--Shaeffer doesn't know it. It was demonstrated the other day he doesn't know, it is your him informed. I told him, "If you don't know, it is your job to come to see me," if he is going to hold a press up there every day at ten. I think it is just ridiculous.

MR. FUSSELL: It isn't quite as ornate, Mr. Secretary.

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There are only usually the three wire services that come up to ask what is doing, if he knows anything.

H.M.JR: I know, but Gamble does that in the afternoon and he does it himself. He doesn't designate somebody else to do it, and he gets results, and I thought the way he handled that story the other day was terrible. Anyway, I would like you to go up there this morning, will you?

MR. FUSSELL: Yes.

H.M.JR: At ten o'clock. And also I want to know if every day OWI is in on this. I don't see why we should have OWI sitting in as a spy every morning they meet. I don't mind them coming to my press conference, but I don't know why they should be running all over my building. Does anyone want to make any comments?

MR. GASTON: No. I didn't think Charlie was holding press conferences. I remember going into that once before and I didn't go up to see, but I didn't understand he was holding any press conferences. He shouldn't hold any, in my opinion.

H.M.JR: Well, anyway, he does every morning at ten o'clock, and he doesn't know what is going on, and when he does I don't like the way he handles that. Will you tell him that, please?

MR. FUSSELL: Yes.

H.M.JR: Now, the other thing, Harry, I had Konnet in yesterday for an hour and a half, and I don't know--maybe you and Coe and your people--I want Haas to know what is going to Europe under S-C. Do you know what is going to Europe?

MR. COE: We get a brief report on the requisitions which are going through. Substantial volumes of stuff have been going through.

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H.M.JR: Well, do you know? Does White know?

MR. WHITE: I know what the original request was, but I don't know how many they filled. I don't follow it.

H.M.JR: Do you know how much cotton and how much steel?

MR. WHITE: I don't follow it.

H.M.JR: Don't you think it is important?

MR. WHITE: Only if you are interested in a special problem, because the way we decided to begin with what they were going to get and which organization would go about it and are they getting it. If you are interested in their getting more or less, we will follow it.

H.M.JR: Well, we spend all the time arguing about what they get and then we don't follow through to see whether they get it or not, and it has got a direct relation on the finances of this Government. What I would like to have, George, is this: He reeled off when he would get it. I would like for each one of these countries, see--you get the figures from Coe--I would like to be able to go in and see that France got, I think, forty to fifty thousand tons. This month was an enormous amount. On the top would be what they have been allocated to get for this calendar year. I think it is for a calendar year, and how much of that they are paying for themselves, and how much of it is under lend-lease.

Now, I think it is of real interest because we have spent a lot of time getting it and then we sort of kiss it good-bye and don't know whether the thing works or not. We don't know whether--

MR. WHITE: Largely until I pick it up, but we haven't felt it is our responsibility or interest in seeing they get it or not, but if you think it is--

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H.M.JR: I think it is very important. I want to know whether it is on time--whether Western Europe is going to be able to go through the winter or not. The only way I can find out what is going on, and I would like you to--either you can consult with White or with Coe--now, I don't know when this S-C thing started, how much they get--if it is S-C. Am I using the right language?

MR. COE: Yes.

H.M.JR: But there is a real flow going. For instance, he tells me--maybe somebody knows this--but Crowley has issued a directive saying they can't have any locomotives after the 1st of January of this year, or any of that stuff.

MR. COE: There has been a controversy on that. I didn't know he said they couldn't have any.

H.M.JR: And I think it is very important that the Secretary of the Treasury does know this, because if we are going to take the position that I am Chairman of this Advisory Financial Committee on Bretton Woods, then I have got to know what the United States Government is doing to aid these countries, and where we are falling down, and I don't know.

MR. D.W. BELL: Why isn't the whole lend-lease program important and not just S-C? The whole thing is cash. That's what we are interested in, in the role of financing.

H.M.JR: All right. Wouldn't you like to know?

MR. D.W. BELL: What I know in a general way is the over-all picture, because it is part of our estimated cash position that we do not break it down as to S-C.

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H.M.JR: Well, let's take the whole lend-lease and break it down.

MR. HAAS: Geographically?

H.M.JR: Geographically, financially, and anything else you can get.

MR. D.W. BELL: By categories, major categories?

H.M.JR: If they buy six hundred locomotives or nine hundred locomotives, that is important, and then-- I completely forgot that a big bunch of this stuff we buy through Procurement.

MR. PERLE: On that stuff, Mr. Secretary, I arranged while I was down there for all the requisitions, particularly, to come over to Frank's and a summary of them so he knows what is going on. We did tie that in.

H.M.JR: Well, anyway, I want a statistical picture once a month. I want to sit down once a month, and if anybody is interested they can sit down with me, and if I am going to be the top fellow in this international financial picture, I want to know what is going on, and we might as well train for it. They tell me that-- make a note of this, Mrs. Klotz, that a fellow by the name of Potter that just came back--he is the head of the Combined Coal thing, and they have got big plans on it, that the President had a lot of cables over the week-end.

There is McCloy and Will Clayton and Crowley about getting coal, and this coal commission, what they are going to do, and what they are going to do to start up the Ruhr and the Saar.

We seem to be completely left to one side on all of this stuff.

MR. COE: We are on most of that supply--on most of those supply matters.

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H.M.JR: Well, it would be nice to know what is going on. I have got to go to a Frenchman to find out.

MR. WHITE: Well, your range of interest can be as broad as you want to make it, but if you are going to take over the task of finding out how each of these foreign countries is doing, what the supply situation is, that can be done. That's quite a bit to chew off.

H.M.JR: Well, the figures are available.

MR. WHITE: Oh, yes, I mean, some of these can very easily be made available.

H.M.JR: I do want to know, because I think that the whole thing--first I was interested in winning the war in Europe but now I am interested in peace in Europe. In order to have peace in Europe we have got to have these people supplied in such a way that they can go through the winter without a revolution. Now is the time to find out what they are going to have next October, and I want to know.

MR. WHITE: Then the specific interest, I gather, is that you want to expedite shipments.

H.M.JR: I didn't say that. I want the facts first. I want the facts first. Then, if they are not getting them, I am in a position to bring it to President Truman's attention. But until I know the facts, I can't do anything about it, but it has a direct effect on our dollar position.

Okay, Mr. White?

MR. WHITE: Sure. If you are interested in that, they can easily supply you with that.

H.M.JR: I should think you would be interested, of all people. What?

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MR. WHITE: Could be. I don't think the dollar position--

MR. COE: There is too much to follow.

MR. WHITE: ...has any significance. You can use it as an excuse if you are interested in seeing France gets what you promised to give them.

H.M.JR: Well, I spend weeks on the thing on a committee, and then I am left in the vacuum. What's the sense of drawing these things up?

MR. WHITE: You spent weeks on the question as to whether or not you want them to get certain things in the light of what they had in cash, whether they should get it for nothing, whether they should pay cash. You also agreed at the time that you would re-examine it at some time in the near future whether you wanted to change your mind. But, there is justification needed, Mr. Secretary. I don't think you are offering any. If you are interested in that, sure.

H.M.JR: I am interested.

MR. D.W. BELL: There is a pretty great lend-lease report sent to Congress every quarter.

MR. WHITE: Every three months.

H.M.JR: I am interested, and I want it set up. The way I want it, George, is statistically, once a month, if possible.

MR. WHITE: The only country you have been interested in hitherto in knowing what they have got and whether it has been kept up to schedule, was Russia, and you used to receive it, and recently you decided it wasn't as acute. We don't supply it. We have it. But if you are interested in the other countries, it can be quite easily provided.

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H.M.JR: I want the whole picture, what we promised them, what they are getting, and what they are not getting, and after I have got the picture I can decide what I want to do. I think the people in the Treasury should know.

MR. PERLE: Can those figures include military lend-lease or are those secret figures?

MR. WHITE: They give aggregates.

MR. PERLE: Because those are interesting.

H.M.JR: I think we can get them.

MR. PERLE: In the sense we send in continued military stuff.

H.M.JR: Coe can find out. Do you suppose there is such a series of charts in existence?

MR. WHITE: Yes. It may not go into as much detail as you want, but they go to--you can get them geographically and you can get them by large categories to the larger countries. They are printed every three months, and I am sure that FEA must have very detailed data.

MR. COE: They don't have a breakdown of the kind which we want on the financial side. They have never been able to do it. They have a regular commerce figure.

Then they have figures showing what is spent which don't jibe with the export figures.

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H.M.JR: Well, you see, there's the thing which is very interesting. Make a note of it, having money come back. This whole thing--I asked to see him, he didn't ask, because I wanted to find out. The whole thing built up to a point we met a million tons a month out of the Ruhr and the Saar, in order to give each family in advance a half ton of coal. Now you have got to have your basic figures. He leads up to that and I gather he's going to get--

MR. COE: We learned on Saturday that Secretary Stimson recently wrote the letter to State suggesting that four or five men, including yourself, sit down on the question of War Department's now being unwilling to finance relief to certain areas. They have been taking the position, particularly in Italy, and they were worried about coal, and another question was that the War Department said it would not finance the coal question. State--

H.M.JR: Excuse me. I don't want to ask Harry to do this while Bretton Woods is on, but I wish you would get hold of Mr. Potter, if Harry hasn't time and--

MR. WHITE: No, no. Frank has time and the staff to handle it, and he's set up to handle it.

H.M.JR: Well, then, Potter, who just came back from Europe, who has made the survey, will you get hold of him and have a talk with him, and find out what his report is on the Ruhr and the Saar, and how we arrived at the figure of a million tons a month? I mean, the whole thing all comes back, are they going to have a revolution? Are these people going to be able to say, "Well, we've got to do this and that for Germany to keep them from revolting," and all the rest of that stuff, and I want to know. Now on the thing--I had a long talk, almost two hours, with Hopkins, and I recommended to him first Yost in the State Department. He couldn't get Yost, and then I recommended Reams.

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I told him if he wanted somebody while he was over there he should take Taylor, and one of the questions he asked--I want to know whether Taylor would know the answer. For instance, he asked me about--he's preparing himself to go over, and I wonder if I gave him the correct answer--how did I propose to pay off Socony in Rumania, or General Motors in Europe, Germany, for their plants, out of reparations, or out of money in this country? I said in my opinion they should not be mixed up with the reparations, that we had enough money, I thought. My impression was there is about seven or eight hundred million dollars, German finances in this country, which is more than the total claim that American companies have.

MR. PEHLE: That's wrong.

H.M.JR: Is that wrong?

MR. PEHLE: Yes. The claims against Germany far exceed the assets.

H.M.JR: Who can give me a memorandum on that?

MR. COE: We can.

MR. WHITE: Data has already been checked and there's--

H.M.JR: Coe, would Taylor have that at his finger tips?

MR. WHITE: I doubt it. But he can easily get it.

H.M.JR: What?

MR. WHITE: I doubt it very much.

H.M.JR: Well, Frank, would you be thinking of different things like that, what have we got, and if he decides to take Taylor, what we ought to send Taylor so that he could have it, see? And I think that it would be nice, Frank, if you would write a

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letter to Taylor, for my signature, telling him that Senator Kilgore said of all the people that appeared before him, Taylor made the best impression. I don't know what we should give him. He wanted my plan for Germany and he pressed me very hard, and I said he couldn't have it unless I got permission from Mr. Truman, and I'm going to ask Truman if I should give it to him. But I don't think it's generally known that he's going to go with Hopkins.

MR. WHITE: Hopkins saw the brief, the six-page proposal.

H.M.JR: What's that Harry?

MR. GASTON: The outline?

MR. WHITE: When it was first discussed.

H.M.JR: On what, Harry?

MR. WHITE: On Germany.

MR. LUXFORD: He sat in on the original?

MR. WHITE: Yes. It's a little bit vague in my mind. I'm ninety-five percent positive that he had a copy of that.

H.M.JR: That was before Quebec?

MR. WHITE: That's when we had a meeting in his office, which was attended by State Department and McCloy, and myself.

H.M.JR: Before Quebec?

MR. WHITE: Well, I'm not certain. I think so.

H.M.JR: Well, the thing is, today it's so different.

MR. WHITE: I think it is, after State Department's consideration of it.

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H.M.JR: Well, it's so different. Anyway, I want different ones thinking what we should possibly give him or give Taylor. That's about all.

MR. GASTON: Is that Wayne Taylor?

H.M.JR: No. No, it's William Taylor.

MR. GASTON: Our Taylor?

MR. WHITE: Bill Taylor. He's in London.

MR. GASTON: Did he appear before this committee?

H.M.JR: In London.

MR. WHITE: Kilgore saw him in London.

MR. GASTON: Kilgore, oh, yes.

MR. PEHLE: They had hearings, Harry. They took testimony and he testified. I gather from something Kilgore said--

MR. WHITE: In London?

MR. PEHLE: Yes.

MR. WHITE: I didn't know that.

H.M.JR: In London.

MR. GASTON: I'm confused because I didn't know about Bill Taylor appearing before any committee here.

H.M.JR: Here? That gets down to a question of my appearing, and somebody wrote me a letter about wanting somebody to appear.

MR. WHITE: Mike Hoffman, and they called up again and they've got him scheduled for Wednesday.

H.M.JR: Well, I don't want Mike Hoffman. I don't think he's--

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MR. PEHLE: How about getting Schmidt back?

MR. FUSSELL: Mr. Secretary, will there be a press conference this afternoon?

H.M.JR: I don't think so.

MR. WHITE: The factual material that he's to present, Mr. Secretary--I think that he knows the stuff. I think he's quite competent to discuss the narrow field which they will want him to discuss, and if you have somebody else, it will be more difficult for that somebody else. Whoever you may select to keep off the broader German problem, he can very appropriately say, "That's not in my field."

H.M.JR: Well, let's take the time. Who called up for Kilgore, and what did they say they wanted?

MR. WHITE: One of the clerks on Kilgore's Committee, Schimmel, called up to say that they have somebody scheduled for Wednesday--they're hoping to have him scheduled for Wednesday--and they want him to discuss the amount of foreign property which Germans have here and the amount of holdings which Americans have there. They want to discuss some of the cartel relations which have been revealed by foreign funds activities, some of the ways in which the Germans can hide their assets abroad and can promote research or propaganda abroad through the funds they have, the kind of problems which Mike, I think, would be quite adequately prepared to discuss, and he can confine himself to that narrow area, and he has been instructed so far, and he'll carry it out, that if they ask him any other questions, for him to reply that it's not in his bailiwick.

H.M.JR: If we sent Mike Hoffman, thirty years old, up there to testify on this thing, I don't--

MR. WHITE: He's a very smart boy, Mr. Secretary. His age has--

H.M.JR: I know, but--

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MR. WHITE: Do you have an alternative?

H.M.JR: The alternative would be if we get Schmidt back.

MR. WHITE: Oh, I don't think myself it's worth while, and I think Hoffman can do as good a job in this particular field.

MR. PEHLE: He's older and much more mature in appearance in fact.

(Secretary holds telephone conversation with Senator Kilgore.)

H.M.JR: That's all right. The President told him practically the same as he told me. He says he has divided it a little bit differently because of this man's appropriation. I think it runs out the first of July. He'll have to get another appropriation. Well, Harry, who is your Assistant Secretary in Charge of Foreign, and so forth? Who is the best qualified man to do what President Truman wants, to go up and give them the economic, historical background?

MR. WHITE: Well, I think the choice is extremely limited. If you want to get Orvis back, the boys think he makes a more mature appearance. I'm sure he does. He would have the added attraction of being fresh from Germany, and would be able to give the kind of experiences which always go well in a committee. It might also have the advantage of bringing home to the committee that the Treasury is actively operating in that field and has men in there. It would have that advantage if we do get men over in time, and it might be a very good thing to get Orvis Schmidt to find out what he's doing and send him right back again. So, if they can wait, I don't know how long it would be, ten days maybe.

H.M.JR: Oh, no. I can call up McCloy and tell him to send a message over that I want him back immediately. He is to leave today.

MR. WHITE: If that's the case, then I can see where he would make a more interesting showing than Mike Hoffman.

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If Orvis is out for one reason or another, it seems to me that Mike Hoffman could handle it adequately. He could be--

H.M.JR: Where's Orvis Schmidt, at SHEAF?

MR. COE: Yes.

H.M.JR: I'll call him up myself.

MR. PEHLE: That's the way.

MR. D.W. BELL: Is this hearing for Wednesday?

MR. WHITE: Those would be the only two that I could think of.

H.M.JR: What?

MR. WHITE: It seems to me those are the only two.

H.M.JR: I think it would be good. How long has Orvis been over there?

MR. PEHLE: About a month and a half.

MR. WHITE: Two weeks. I don't think he got to Germany until--

MR. PEHLE: A month.

H.M.JR: And he could talk, and he could simply say, "I'm head of Foreign Funds, and this is why I'm here, and I'm not to talk, but this is my field and I'm very sorry, I can't talk about the other business."

MR. WHITE: Of course Mike would say precisely that, too.

MR. D.W. BELL: They might both go. Mike would have more current information.

MR. WHITE: They might both come up. It depends on how long--

H.M.JR: Don't misunderstand me, I have confidence in Mike Hoffman, but he does make a very youthful appearance. I mean, I think he's a very able person, but I think of the two that Schmidt would make a better appearance before the committee. All right, I've been doing most of the talking. Charlie Bell?

MR. C.S. BELL: I have nothing.

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(Secretary holds telephone conversation with Mr. McCloy.)

H.M.JR: All right, how far did we get?

Charles?

MR. C. S. BELL: I haven't anything, sir.

H.M.JR: Daniel Bell?

MR. D. W. BELL: I haven't anything.

H.M.JR: Luxford?

MR. LUXFORD: I don't know how far you have been kept up--

H.M.JR: Anybody want to go up on the Hill?

MR. LUXFORD: I have to go at ten-twenty. The war criminal problem is again being negotiated with the State War, and Navy Departments, and with considerable difficulty in the sense that State and the War Department in particular are trying to hold back on two main points, one, industries, and two, the question of extradition of war criminals. The boys have flushed them out enough to know that in a way their fears are in connection with Russia and Yugoslavia. They are afraid that they will be pulling the wrong people in as war criminals, and they are setting up the procedure, or attempting to, which would make it very difficult.

H.M.JR: Did you get this secondhand?

MR. LUXFORD: I got it from the directors and our boys attending those meetings.

H.M.JR: See, I made you custodian of our allies while Joe was gone.

MR. LUXFORD: That is right. Our attack has been one of forcing out into the open what the issues are and the redrafting of the directive, but there definitely is trouble so far as what they are trying to do is concerned.

H.M.JR: Should I be interested in that, Harry?

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MR. LUXFORD: I think you should.

MR. WHITE: I would if I were you.

MR. LUXFORD: I just wanted to mention to you what was going on. At an appropriate point we may have to go further, but we are forcing them on the record in regard to what they are trying to do.

H.M.JR: Is today Burgess' day?

MR. WHITE: Yes, and they may also go into an executive session with myself. Fulbright asked me for some questions that he can ask me. He wants me to answer them, refute a lot of the questions.

H.M.JR: An executive session with you, yourself?

MR. WHITE: I am not sure whether it is going to be an executive session after Burgess gets through. Burgess would like to make it an executive session before he starts, but Senator Wagner is opposed to it, so I don't know what is going to happen. They were going up this morning to find out. Dean Acheson and I spent an hour and a half with Senator Millikin at his office Saturday at Senator Millikin's request. We may have budged him, I don't know.

H.M.JR: Anything else?

MR. LUXFORD: No, I haven't anything else.

MR. WHITE: Were you through, Luxford?

MR. LUXFORD: Yes, I am through.

MR. WHITE: If you are interested in getting in on the Japanese directive, it is being prepared now. They are keeping us on the edge. They are asking us about some things, and some they are not, but we are out of it officially. I don't know at what point you want to make an effort to get back in officially. We have never been in officially.

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H.M.JR: Who is chairman of that?

MR. WHITE: It is not handled by the IPCOG Committee. The SWNCC Committee played around with it, the same one that handled Germany before. They are not handling it by what we have called the initials, the IPCOG Committee, which handled Germany. They are taking it out in this other committee. The difference between the two is the Treasury is in one and out of the other.

H.M.JR: It doesn't make sense.

MR. GASTON: The whole thing is preposterous in my opinion; this making the peace and economic future of the countries that were conquered is apparently in the hands of the military, and to me it is nothing.

MR. WHITE: Well, State--

MR. GASTON: Well, military and State is not enough. To me it is preposterous.

MR. WHITE: No, it is my thought after going into the details of what the men have to contend with that there is no use maneuvering from our position unless you take it up with the officials and get it up officially.

H.M.JR: Take it up with Grew.

MR. COE: Grew stayed off at the time of the IPCOG meetings. You asked him about that, and the understanding was that Grew would be the one. Henceforth as these things arose and there was specific reference to Japan it would be taken up in some group like the IPCOG one.

H.M.JR: Should I call Grew, or should I call Clayton.

MR. COE: Clayton himself seems to be out of the SWNCC thing, so I suppose it is Grew.

MR. WHITE: Isn't it being run by the Army?

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MR. D. W. BELL: What about McCloy? Isn't McCloy chairman?

H.M.JR: I will follow it through. What else?

MR. WHITE: There is no official basis for it, so if you do follow through, I think that that is what you ought to get, because when it is just an understanding, the boys have a hard time operating.

H.M.JR: Are you going on the Hill, too?

MR. O'CONNELL: I hadn't intended to.

H.M.JR: All right, you go ahead, you fellows.

MR. WHITE: I think Joe should be up there if they are going to have an executive session, and there may be an executive session today.

MR. O'CONNELL: I didn't think there would be an executive session today.

MR. WHITE: Will you join us in about ten minutes?

MR. O'CONNELL: Burgess goes on right away, doesn't he?

MR. WHITE: Yes.

MR. O'CONNELL: I will be down before he is through.

(Mr. White, Mr. Luxford, and Mr. C. S. Bell leave the conference.)

MR. O'CONNELL: I gathered from what you said earlier that you weren't going to have a press conference today. I wondered whether you wanted a new thought. I sent Senator Willis a letter on the Bureau before the publicity appeared, and as I told you Saturday morning, we were thinking of writing a short letter to Willis, not at all on the defensive, which we could get out. We probably would have it by noon if you wish to sign it.

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H.M.JR: What I would like you to do is take his letter and get all the answers you can give, and see Walter George and have a talk with him today.

MR. O'CONNELL: You are not anxious that we get a letter which would be released to the press today?

H.M.JR: I am not going to have a press conference. I would like to answer it as soon as possible, but there is no rush. I would like to get Walter George's advice.

MR. O'CONNELL: All right.

H.M.JR: I will call him up and ask him whether he will see you this afternoon.

MR. O'CONNELL: It is a very impertinent sort of letter. If you put out an answer which you wish to publicize, a brushoff would be the thing, because the letters are pertinent. We wouldn't answer some of the questions for him anyway. The complete answer is that the Treasury is examining the whole thing, and when we have completed our examinations we will report to the proper committees, to Ways and Means instead of Finance.

MR. GASTON: I agree on the brushoff, but I don't think we ought to give out any information.

MR. O'CONNELL: That suits me, but I was raising the question. I think the silent treatment is best along the line here. No one is paying much attention to Willis or the Republicans in this connection except the Times Herald which is a Republican paper.

(Secretary holds a telephone conversation with Senator George.)

H.M.JR: He says it is purely political and we should just give him a courteous answer. I was thinking to say, "Well, we have all the facts. We will present them to the Joint Committee on Taxation."

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MR. O'CONNELL: Yes, I think that is the right slant. There isn't any reason why we should fall in their trap in trying the thing in the newspapers with added facts or without them, but we will have a short letter which I will have when we go down to see Senator George.

H.M.JR: At two o'clock in the Office of the Secretary.

MR. O'CONNELL: May I be excused? Sherwood is waiting for me, and I would like to talk to him and maybe bring him down with me.

H.M.JR: All right. This thing I referred to, Gaston, I will bring that up tomorrow on how we are going to handle McKellar, when Nunan is in here.

MR. O'CONNELL: Yes.

H.M.JR: This request of McKellar's for an appointment in Internal Revenue--I don't want to discuss it until Nunan is here.

MR. GASTON: I see.

H.M.JR: I want to get Nunan's reaction.

MR. O'CONNELL: I am anxious to get that. I have talked to Cann and Sherwood, and their reaction was what I gave you Saturday morning.

H.M.JR: We will go into the thing tomorrow morning, Gaston being political, and you being in Internal Revenue, and I want to see how Nunan reacts.

MR. O'CONNELL: Gaston being political!

MR. GASTON: Yes, we will see about that. (Laughter)

(Mr. O'Connell leaves the conference.)

MR. BARTELT: Mr. Secretary, I want to report that we are making very good progress on tax refund cases. Last week we paid about one million sixty-nine thousand, bringing the total up to two and one-half million. That means we have just about twenty-one and one-half million to go.

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I would like to report also that the Treasury Department has made ninety-two percent of its Seventh War Loan quota.

H.M.JR: How much?

MR. BARTELT: Ninety-two percent, and I think we will be up to ninety-eight by the end of this week.

H.M.JR: Good.

George?

MR. HAAS: The Budget Bureau asked if we would advise their fiscal agent, the idea being that the President might issue the Budget summation by August 1, but I don't think they have a definite commitment. Maybe you know.

MR. D. W. BELL: No, I understood they were contemplating August 1. That is about the usual time.

H.M.JR: Anything else? I gave you some things to do today, didn't I?

MR. HAAS: Yes.

H.M.JR: And if you don't have a large enough staff, get them.

MR. HAAS: Thank you.

H.M.JR: Frank?

MR. COE: I have nothing, sir.

H.M.JR: What did you do? Did you decide how to reorganize your department?

MR. COE: I have a memo that is being typed up now.

H.M.JR: Is it good?

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MR. COE: I think it gives what we want. I have discussed it generally with Harry, but I haven't shown it to him. I am afraid it is the usual thing, certain things we are doing in order to produce certain things we need. We will get a little more informal organization. I will hand a full-dress document in to you. There is one thing, Mr. Secretary, we have been a little puzzled by, and due to your good contacts with State we have been getting a deluge of Moscow telegrams. They have never sent any over before. They are mainly reports on the newspapers in Russia.

H.M.JR: I am very much interested in those myself.

MR. COE: We have gotten them up for you.

H.M.JR: I get more information out of those reports than I do anything else on the whole European situation. I am going to try Grew on this.

(Mr. Coe hands Secretary two memoranda dated June 15, 1945 and June 22, 1945.)

MR. COE: That is a brief memo, but I think they are mainly to skim through.

H.M.JR: What is this? I don't think you meant to give me this.

MR. COE: I am sorry. They are very interesting, but I warn you they haven't given you what their own political analysis is; they are mainly furnishing a view of how the Soviet is reacting in their press to the developments of the world.

H.M.JR: It isn't an analysis of the press itself?

MR. COE: It is an analysis of the press itself, a condensation, but it is not the Department's own.

H.M.JR: I don't want the Department's. I have that, and that is what I didn't want.

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MR. COE: Oh, then, you have what you want.

H.M.JR: The Department started to give me what they thought about the press, which I didn't want. I wanted simply what the Russian press said uninterpreted.

MR. COE: They are very interesting.

H.M.JR: Is this what I am getting?

MR. COE: That's what you are getting.

H.M.JR: Because when I got what the State Department got out about what the Russian press said, it was no good. This is it.

MR. COE: You got what you asked for then.

H.M.JR: I think it is more interesting than reading the daily newspaper.

Pehle, I will give you a few minutes if you will stay behind.

MR. GASTON: That thing you mentioned to Fussell upstairs, I think if press conferences are being held upstairs they ought to be stopped. They ought not to be encouraged. Your suggestion was about bringing in certain people and getting something more formal. I think that would be a mistake. There should not be any press conferences. If he is setting a certain time at which the newspapermen come up to talk to him, that should not be done.

H.M.JR: He does. Every morning the wire services come up to see him.

MR. GASTON: But going in the direction of putting it in Fussell's hands and making it all the more formal that Fussell can handle it better than Shaeffer, that's going in the wrong direction. I don't think we want to organize formal press conferences upstairs. If they

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are being held, we ought to make it just a matter of drifting in one at a time, calling up on the telephone, and so forth, to give out routine information. I wouldn't have press conferences.

H.M.JR: Why?

MR. GASTON: It is substituting somebody else than yourself as spokesman. If you want to do that, substitute someone else as spokesman for Treasury policy, you could do it, but I don't think it is a wise thing to do. We don't need press conferences by somebody else. We don't have enough business here to justify that. We can give out routine stuff to the men as they come along.

H.M.JR: Ted Gamble does it.

MR. GASTON: I know, but Ted Gamble is running a big propaganda machine. I never felt the need of holding press conferences. I didn't hold press conferences. It is not the right idea. Steve Early, yes, that's unique, that's different. I don't think any department-- I may be wrong, but I don't think any department has somebody holding press conferences unless it is in the absence of the Secretary or something of that sort, or unless the Secretary just doesn't want to.

H.M.JR: Well, I am going to have a talk with Fussell and see what happens. I don't know which is the better, to see them at one time or to have them drop in. And the first thing he knows he is having favorites and telling one story to--

MR. GASTON: It's his business to see he doesn't have favorites.

H.M.JR: But certainly the thing is going on where the press could be guided and Shaeffer just isn't doing it.

MR. GASTON: Well, the press can be guided much better if you don't take them in a group.

H.M.JR: Well--

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MR. D.W. BELL: I think Shaeffer started that, Mr. Secretary, at the time when you weren't holding press conferences. Remember, there was quite a period there that you didn't have press conferences, and he was trying to keep the boys in a good humor, and he started it.

I didn't know he was doing it every day, but I think they come in and ask questions, and keep current on things that are going on that Shaeffer can give them. He doesn't give them any policies.

MR. GASTON: I think that's right, but I think the habit of having them all acceptable at one time leads to the wrong direction.

I would like to say one more word about something that is none of my business either, and that is this thing about Europe and the peace.

I think President Roosevelt neglected proper form of organization for the treaty problems of the disposition of occupied countries. I don't think there is any really proper form of governmental organization set up yet, as illustrated in the fact there is this by-play of crowding us out, and so forth, and it is too much military.

It seems to me that President Truman might be sold on the idea of a really conscious, deliberate organization of the Cabinet and the Government to solve these really important problems. I think there is just authority being grabbed, and the thing is kind of being done in the corner.

H.M.JR: You're right.

MR. GASTON: I think my suggestion was possibly you could work out a definite plan and go to him and say, "There, this is the broadest thing we have got on all governmental propositions."

(The Secretary holds a telephone conversation with Mr. Grew.)

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H.M.JR: He has it on his desk.

Now, there is no reason Mr. Clayton should--Mr. Clayton doesn't know anything about Japan. It has to be people who lived with it.

MR. COE: One of Clayton's men brought over a part of it to us including the political--

H.M.JR: Well, anyway, that's that. Herbert, you are right. I have spoken to the President a couple of times about it. I have a notion to ask him. The first of July he is going to do something.

MR. GASTON: There should be a plan. There are two fundamental misconceptions. One is Army shouldn't be interfered with wherever they are in occupation and the other the State Department should manufacture international policy. It shouldn't.

H.M.JR: Yes. What else?

MR. GASTON: Do you have something you wanted to talk to me about?

H.M.JR: It was this business--

MR. GASTON: Fitz mentioned something.

H.M.JR: ...about Senator McKellar, and I don't want to discuss it until Numan is here.

MR. GASTON: All right.

H.M.JR: I have got to rest a minute, and then I'll see you. (Mr. Pehle.)

MR. PEHLE: Yes, sir. Do you want Herbert or anybody else here when you talk about Americas United?

H.M.JR: No.

MR. PEHLE: Okay.

June 25, 1945
10:00 A. M. 89

HMJR: Hello.

Operator: Senator Kilgore.

HMJR: Hello.

Senator Kilgore: Hello.

HMJR: Morgenthau speaking.

K: Kilgore talking. How are you this morning?

HMJR: All right.

K: I just got in from West Virginia, and got myself lined up on these hearings. After I talked to you I started checking on the materials to see just what might be questionable.

HMJR: Yeah.

K: And in the meantime I got a call from Mr. Clayton, right after that - so on the strength of that call I called the President and asked him. I said we had advertised the hearings, what did he want done? He said well, he wanted the hearings to go ahead, but he wanted any question of future policy left out.

HMJR: Yeah.

K: ..until afterwards. He wanted the hearings in two series. One set of hearings to give the background - the economic background, and then as soon as the Berlin conference is over a series of hearings on policy.

HMJR: I see.

K: So we are just going ahead merely with the historical background. He has requested every department to cut out anything that deals with policy.

HMJR: I see.

K: And merely give economic and financial history up to the present time, which would be a foundation stone for a statement of policy later. But he doesn't want anything said on policy until after the Berlin conference.

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HMJr: Yeah.

K: Well, I thought I'd call you up and tell you what he told me.

HMJr: Yeah, well...

K: He said what he wanted was - the reason he wanted that was that he wanted to keep all the whole carts covered up well until after that conference.

HMJr: Well, that is what he has told me. That's why I told you I had better not come up there.

K: Yeah.

HMJr: I gathered that -- did you know that Baruch was going to testify before...

K: Baruch made that request of the Military Affairs Committee. See that wasn't before the subcommittee.

HMJr: I see.

K: I wasn't even at the meeting. Senator Thomas, the chairman of the Military Affairs Committee presides at that meeting.

HMJr: Did you know Baruch was going to do that?

K: Well, I didn't know how far he was going. I knew he was going to testify.

HMJr: Yeah.

K: But he made that request to Senator Thomas, and Senator Thomas gave the permission to talk before the whole committee.

HMJr: I see.

K: And the subcommittee didn't have anything to do with it.

HMJr: I see.

K: Our hearings were scheduled to start out - he wasn't even on our schedule, see.

HMJr: I see.

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K: We were to start this morning with State Department and Mr. Clayton, and just work our way on through. And the Baruch hearing - as a matter of fact it was such a surprise that I was out of town on the day it was held.

HMJr: (Laughs) I see.

K: Senator Thomas told me before I left that Mr. Baruch was going to testify before the whole Military Affairs Committee, and wanted me to be present. I told him I didn't know anything about it and couldn't be there. I was out of town.

HMJr: Yeah. Well, your Mr....

K: As a matter of fact Baruch's whole statement was practically your policy there - according to the editorial I saw in the paper this morning.

HMJr: What paper was that?

K: It's the News.

HMJr: News?

K: Yeah.

HMJr: The Washington News?

K: I think that it is - yeah. It's one of those tabs.

HMJr: Oh, yeah. I haven't seen it.

K: Well, what he said, I think, was all right, but, ...

HMJr: Of course, what we've done is we've gone much further in showing how to solve it.

K: Yeah. I know. Well, I mean it was in line with that.

HMJr: Definitely.

K: He made a good start. Very good start.

K: Now what was suggested was this. That in as much as if we got you up here, they'd probably - some of the Republicans would probably ask you.

HMJr: Yeah.

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K: But we were going to ask somebody else in the Department, who could say that he couldn't go into those details - he knew nothing about them, that they were detailed to another man.

HMJr: Yeah.

K: And that would save us...what do you think about that?

HMJr: Well, I certainly think I should not come.

K: I think you shouldn't come at this time, but should come after the Berlin hearing.

HMJr: I'd like to come after the Berlin hearing.

K: All right. That's fine, then if we can get somebody from down there who can sum up the economic facts as found by Treasury Department, then we can go ahead about economic background.

HMJr: Well, I understand what you want, and we'll do the best that we can, and we'll give you the best that we have available.

K: O. K. fine.

HMJr: But as I understand what President Truman wants - he wants historic background and nothing as to the future.

K: No idea as to any future planning.

HMJr: Yeah.

K: Just the background on which the plans will have to be laid.

HMJr: Well, we'll do the best we can.

K: O.K.

HMJr: Thank you.

K: Thank you.

June 25, 1945
10:09 A.M.

93

HMJr: Hello.

Mr. John McCloy: Hello. How are you?

HMJr: I'm all right, and you?

M: O. K.

HMJr: Jack, I'm just through talking to Senator Kilgore.

M: Yes.

HMJr: Who tells me that the President wants the different Departments to give the sort of economic background on Germany.

M: Yes.

HMJr: Nothing to do with future planning, but just the background.

M: Yes.

HMJr: Orvis Schmidt - if you've got a pencil.

M: Wait a minute. Orvis Schmidt?

HMJr: Yes. Who is head of Foreign Funds for Treasury is at Frankfurt.

M: Yeah.

HMJr: Under Colonel Bernstein.

M: Yes.

HMJr: He is a civilian - I mean Schmidt.

M: Yes.

HMJr: And I would like to get him back at once, because they want him to testify Wednesday, but if you could get a message so he could leave tomorrow he could get back here and testify Thursday.

M: O. K. Well, I'll do what I can. I'll tell them to put him on the plane and send him back as fast as they can.

HMJr: Would you do that?

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M: Yes, Orvis Schmidt. I can't guarantee what time he will be here.

HMJr: No.

M: But I'll get him here just as quickly as I can.

HMJr: Well, if you would tell whoever handles it for you to let Harry White know when we can expect him back so we could let Senator Kilgore know.

M: Right, right. Now are you going to testify up there?

HMJr: No.

M: They've got me down for Friday.

HMJr: No, I tell you what he told me. President Truman is dividing - wants the thing divided into two pieces. For the present, just the background.

M: Yeah.

HMJr: And after Berlin, the future.

M: Future, yeah. Wants to keep off the policy, I'm told.

HMJr: Off the policy.

M: Yeah.

HMJr: So they are going to keep me off.

M: (Laughs)

HMJr: (Laughs)

M: They had Baruch up there.

HMJr: Yeah, well....

M: He got on the policy all right.

HMJr: Well, he's free-lance.

M: Yeah, yeah.

HMJr: But you heard the same thing, that

M: Yeah, I heard that Truman had indicated that he might be embarrassed before this thing - and later when he could do it.

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HMJr: So they'll ask me to come up after Berlin.

M: Yeah. I don't know quite what he wants me to testify about. I'll just go up and sort of shoot off the cuff as to what our set-up is now and what problems we are finding now. Lou Douglas just came in a minute ago.

HMJr: Did he?

M: Yeah, he's just here now. Just arrived - with, well, he's just going to start the story.

HMJr: Well, tell him this time I expect to see him, or my feelings will be hurt.

M: I'll tell him that.

HMJr: Tell him that.

M: Yeah, he'll be around to see you.

HMJr: You tell him that.

M: I will.

HMJr: Is he there?

M: Yeah, wait a minute - you want to talk to him?

HMJr: Yeah.

M: Hold the wire.

Mr. Lewis Douglas: Hello.

HMJr: Hello, Lew.

D: Hello, Henry, how are you, sir?

HMJr: I'm all right.

D: Good for you.

HMJr: And you?

D: I'm all right, thank you, Henry.

HMJr: Well, now, this time don't wait until you've about got one foot in the overseas plane to say that you wanted to see me.

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D: I won't, Henry. Well, we had bad luck the last time.
HMJr: I know. Well, I'll tell you...
D: You going to be here on Friday and Saturday?
HMJr: Yeah.
D: May I come in and see you then?
HMJr: Surely.
D: All right, sir. I've just got back and I'm here....
HMJr: Do you want to have lunch with me Friday?
D: Love to, Henry.
HMJr: Lunch on Friday.
D: Lunch on Friday. I should love to.
HMJr: We'll give you what a civilian eats in America.
D: (laughs) Well, that will be more than some civilians eat on the other side.
HMJr: I guess that's true. All right.
D: All right, Henry.
HMJr: Thank you.
D: Thank you ever so much. What time?
HMJr: One o'clock.
D: One o'clock - I shall be there.
HMJr: Good.
D: All right.
HMJr: Bye.
D: Bye.

June 25, 1945
10:20 A.M.

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HMJr: Hello.
Senator George: Hello.
HMJr: Henry talking.
G: Yes, Henry, this is Walter George.
HMJr: How are you?
G: Fair, only.
HMJr: Only fair?
G: Only fair.
HMJr: I'm sorry. Walter, I had a long letter from Senator Willis of Indiana.
G: I saw it published.
HMJr: And asking me a lot of questions. Now sometime around noon or so, we'll have all the answers that we can have. I wondered if you would receive my General Counsel, Joe O'Connell, sometime this afternoon, and let him go over the matter with you and get your advice as to what we should do.
G: I'd be glad to, Henry. I expect he had better come to the Secretary's office over there because we will be tied out over there this morning - today, I think all day.
HMJr: Well, what time would be agreeable for you?
G: Well, any time, say two o'clock, or anytime after two.
HMJr: Two o'clock. He'll be at the office of the Secretary in the Senate....?
G: Yes, that's right.
HMJr: ...at two o'clock.
G: Yes, I'd gladly see him here, but I won't be back over here I don't think until
HMJr: We'd like your advice because this is really a party issue - they've made it a party issue.

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G: Well, I read that letter and I thought it was pure politics.

HMJr: Yeah. I would be largely guided by whatever you advise.

G: Well, I don't know that I can help a lot, but it just seemed to me that it was so political that I wondered if you would do more than just give him a courteous reply, but anyhow I'll be glad to see O'Connell.

HMJr: Well, some of the questions we can't answer.

G: Yes.

HMJr: I mean we just haven't got the information.

G: Yes.

HMJr: And I could just give him a courteous reply and say that at the proper time that the information will be presented to the Joint Committee on taxation.

G: Yes.

HMJr: When we have all the facts.

G: Yes.

HMJr: Which we expect to.

G: Yes.

HMJr: See?

G: I see.

HMJr: We are now making an investigation, and when we have all of the facts, we will present them to the Joint Committee on taxation.

G: Yes. Well, I'll be glad to think it over, and in the meantime, when O'Connell comes over I'll talk with him.

HMJr: Thank you so much.

G: All right, Henry.

June 25, 1945
10:32 A.M.

99

HMJr: Hello.

Mr. Joseph Grew: Good morning.

HMJr: How are you? Mr. Grew, can you hear me?

G: Yes, perfectly.

HMJr: As you know, under what you people call an informal committee for Germany we got out what everybody seemed to think was a pretty good Directive, and of which Mr. Clayton was Chairman. Hello?

G: Yes.

HMJr: Now they have a group which is not headed by Mr. Clayton getting out a directive on Japan, and we are very much on the outside, and I am informed that you people yourselves are not wholly inside of it. Hello?

G: Yes.

HMJr: I may be wrong as far as State is concerned, but as far as Treasury is concerned, we're just on the very outside fringe.

G: Yes.

HMJr: Now, I think that committee which Mr. Clayton headed did a very good job on a directive on Germany, and we have a real interest in it - in the one for Japan and I'd appreciate it if you would make some inquiries and see what is happening.

G: Oh, I know all about it. I have the paper before me, it's not in final form yet. It has not been approved yet, and we've got to study it and possibly modify it before we want it to go anywhere.

HMJr: Yeah.

G: But we are working on it now. You - there's a financial angle in it you mean?

HMJr: Well, there is in all of these things.

G: Yes.

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HMJr: After all in all of these questions once they begin to occupy these countries the Army has a strong finance section. As I say we've been on the one for Germany, we've been in on the one for Austria, now why are we suddenly excluded on the one on Japan.

G: Well, you haven't been excluded because the thing is not yet in a form where we could properly send it out to anybody because we haven't all agreed on it ourselves yet.

HMJr: Well, the time must -- I find to get in on these things is when they are being in the formative period.

G: Well, I'll look into it and see here.

HMJr: It is a different group, you know. I don't think Clayton is Chairman of the group on handling the directive for Japan.

G: No, he's not at all.

HMJr: Why it should be a different group, I don't know.

G: Well, there are a good many reasons for that. In the first place, Clayton doesn't know anything about Japan whatsoever. This thing is being drawn up by people who do know something about Japan.

HMJr: Yeah.

G: It requires a very expert hand on this matter. Its problems out there cannot be settled by people who have never lived there and don't know anything about the situation, the psychology, and all the rest of it.

HMJr: Mr. Clayton never lived in Germany either.

G: Well, he has a better grasp, I think, of European affairs than he has of Far Eastern affairs. However, that's not here nor there, but I'll see what the situation of the paper is now, I think we shall want to have it passed by our staff committee or considered by it before we send it to anybody else, and it is coming up very shortly.

HMJr: Well, I would very much like to have a look at it myself, and have my assistants have a look at it, before it is too late.

G: Oh, yes. Well, nothing will be crystalized, of course, until other people have had a chance to look at it. It will have to go to War and Navy and all the rest of it.

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HMJr: And so, if you will see it is made available to me, I would appreciate it.

G: I'll see that you get a look at it in due course.

HMJr: I thank you.

G: All right.

HMJr: Bye.

G: Bye.

June 25, 1945
11:04 A.M.

102

HMJr: Hello.

Operator: The Attorney-General.

HMJr: Hello.

Atty. Gen.
Biddle: Hello, Henry, you called me last night - I was out.

HMJr: Yes. Francis, are you in your office?

B: Yes.

HMJr: I wondered if you could have somebody look through the original investigation of United States Attorney Carr of Los Angeles.

B: Who?

HMJr: Carr - C-a-r-r.

B: I know him very well. In what connection did you want....

HMJr: Well, he has been recommended for a position in the Treasury.

B: Oh, I see.

HMJr: And we went through our original files when he was trying a case in Los Angeles for us.

B: Yes.

HMJr: And I was dissatisfied.

B: Yes.

HMJr: On the way he conducted the grand jury proceedings.

B: Yes.

HMJr: And, I've....

B: Now, could you tell me, Henry, the type of position ...

HMJr: For Deputy Commissioner of Internal Revenue.

B: Yes.

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HMJr: And I felt that the experiences in the proceedings with him, that he isn't the kind at all that I want.

B: Well, I didn't remember that he had much to do with the

HMJr: He was the attorney. He tried that before the Grand Jury, and I looked through my records and we had the grand jury minutes. I read them over at the time very carefully, and I felt that he was entirely too lenient with the witnesses at the time.

B: Well, I know Charlie very well. I think he hasn't got very good judgment - he is a little impetuous, but I would doubt whether it was in that direction.

HMJr: After that I asked you people whether you wouldn't change it to New York, which you did.

B: Yes.

HMJr: Cahill then tried it in New York.

B: Yes. Well, I'll look at it. I would think that that would not be my view. My view would be that his judgment was not always very good, but not so much what you said. However I'll have some one look over it and I'll give you a ring about it.

HMJr: Would you call me yourself?

B: Certainly.

HMJr: If you don't mind.

B: Certainly, yes.

HMJr: Because as I say....

B: Well, I'll call you personally, Henry.

HMJr: If you don't mind.

B: Oh, certainly. Very good.

HMJr: Thank you.

June 25, 1945
4:22 P.M.

104

HMJr: Ted.

Mr. Ted
Gamble: Yes, Mr. Secretary.

HMJr: I have a very attractive and very forceful lady here by the name of Mrs. George L. Ball, director of the Washington office of America United.

G: Yes.

HMJr: They've tied up about every organization in America for the 4th of July.

G: Yes.

HMJr: And I was suggesting that she might come over and see you because she is offering to cooperate with us on the 4th of July.

G: Wonderful.

HMJr: And she's got about, as I say, every national organization in America except - well, I don't know what she has overlooked, and they were very helpful to us on Bretton Woods.

G: Fine. Well, we shall be delighted to have her come over and...

HMJr: Could you see her now?

G: Yes, sir.

HMJr: Well, I'll have John bring her over.

G: Fine.

HMJr: And he'll leave her in your very good hands.

G: Fine. Well look forward to seeing her.

HMJr: Is that all right?

G: That's perfect.

HMJr: Thank you.

G: All right, sir.

June 25, 1945

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From 5:00 to 6:30 P.M. on Sunday, June 24, I had Jean Monnet at my house. A lot of things have been going on and I don't know whether my people know about it or not. I want a meeting and I want Haas to set up the statistics showing the flow of goods from this country to other countries, and how they are being paid for.

I also want to get hold of Mr. Potter from Ickes' office who has just made a study of the whole coal situation. Monnet tells me that the cable is going out over the weekend from President Truman which is going to set up the production of coal in the Saar and the Ruhr. I don't know whether anybody in my office knows about it, but I certainly ought to know about it. After an hour and a half what he boils down is what they need is another million tons of coal per month which would give a half a ton of coal to every family in France. I repeat - I don't know whether my Treasury people are on top of it or not, but I certainly want to be informed about what is going on.

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25th June, 1945.

My dear Mr. Morgenthau,

Thank you for the kind thought which inspired you to send me with your letter of 19th June the copies of the full proceedings in the House of Representatives on the Bretton Woods plans. We on this side shall be very interested to be able to study the complete record.

*Yours sincerely
John L. Anderson*

The Hon. Henry Morgenthau, Jr.

Hold Until
Delivered.

STATEMENT OF BERNARD M. BARUCH
BEFORE MILITARY AFFAIRS COMMITTEE
of UNITED STATES SENATE

Mr. Chairman and Gentlemen of the Committee:

I am honored by your request to appear before you. Your esteemed Chairman, in his letter of invitation, described the objective of this Committee's inquiry as "the elimination of Germany's economic potential for military aggression."

No more important question ever will come before you than this one - of how to prevent the revival of Germany's war-making might. It is the heart of the making of the peace; it is the heart of the keeping of the peace.

What is done with Germany holds the key to whether Russia, Britain and the United States can continue to get along. It will affect profoundly the jobs and livelihoods of everyone, everywhere, for none of the economic problems of the peace can be solved except in the light of German reparations policy and the measures taken to demilitarize Germany's traditional war economy.

Is it possible to control and transform a nation of more than 80 million persons, with an economy as intricate and efficient as that of the Germans?

I believe it can be done. I know it must be done.

Germany's Third Try

It will not be easy. But if not done, we face the certainty that Germany will make a third try to conquer the

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world. Five times within the memories of some persons now living, the Germans have waged aggressive war: against Denmark in 1864; Austria in 1866, France in 1870; against the world in 1914 and again from 1933 to 1945. This must be made the last German war.

Defeatism Unfounded

By itself, no German settlement can be enough. If this is to be a sure peace, we must be prepared to see the peace through with an international organization to maintain common unity among the Allies, with a determined preparedness including universal military training, with an as-long-as-it-takes occupation of Germany, with the judicious use of our great productive power, and a living faith in our democracy strong enough to give the world the moral leadership in progress towards greater freedom and steadily rising living standards that America has stood for since its creation.

The defeatism that prevails in the minds of some is unjustified. At the close of any great war there are always some who despair of the future. It was that way after the last war. We have only to learn the lesson of these two world wars and work at the peace and we need not fear what the future holds in store for us -- a new cave age of bomb shelters or prosperity and security for ourselves and our children.

Bold Leadership Needed

The time has come to end piecemeal peacemaking and to write the peace in Europe as an entirety. In this total peacemaking, America should move forward with a positive program of bold leadership.

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It is important that we think of the condition of the peoples involved in the war. What are the hopes and fears of the people in Russia and England? In the countries completely overrun by the Germans, many have lost faith in government, in themselves -- in everything but force. Seared and scorched, they do not know where their next meal is to come from; how they will be able to make a living in the future. Not only physical but great psychological lesions will have to be healed in the peacemaking.

All these people look to the United States as the one great untouched reservoir of productive resources in the entire world. We have no problem of physical reconstruction yet, these people must be made to realize, we cannot do all they would ask of us and survive ourselves. They must relearn self-reliance. With wisdom we can use our productive capacity to lead the way for these countries to help themselves so that together we can implement one another's security.

To Russia we can show the means of making herself so strong she need not fear Germany; and this while permitting her to reduce military expenditures, leaving more for lifting the living standards of her heroic people.

Expanding trade for Britain

To Britain we can show the way to expanding world markets, steering her away from an economic war that could only be disastrous to her and the world.

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To the United Nations we can direct a converted "Arsenal of Democracy" to aid in establishing a new peaceful economic equilibrium with increased numbers of jobs and steadily rising living standards for all.

Don't Overpromise

We cannot do this by promising more than we can deliver. We can by organizing priorities of production for peace -- so that our vast productive capacity is directed to where it will do the greatest good.

In return, we need ask only that the terms of the peace square with the American conscience. Which is not to say that we - or anyone else - can have all we want.

Strategy of Peacemaking

Effective handling of this productive power assumes a strategic, positive concept of the peacemaking, knowing what we must have and what we are ready to yield on, where American interests lie and how they can be harmonized with the interests of others. We must not find ourselves thrust into the position of seeming to have no program other than to object to the proposals of others or, by failing to move decisively, to drift into complications. We must realize that unless we are prepared to exercise leadership the peace will be shaped by other forces. A vacuum does not long remain unfilled.

To unify all of the many peace problems into one whole, integrated with the Pacific war, all governmental agencies dealing with these matters must be streamlined under a top group

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acting as a focus of decision for recommendations to the President. I speak of a council because with matters of such profound importance, the many different viewpoints should be examined by the best collective wisdom our nation can muster.

No International Logrolling

Our peacemaking must rise above any and all questions of partisan politics, above any pressure group or vested interest -- whether on the right or left, at home or abroad -- above any individual's desires for kudos or headlines.

We must be alert not to slip into the temptations of international logrolling, of handling conferences as if they were mere political conventions, of writing peace agreements as if they were political platforms to mean different things to different men. If the stakes of war are mortal, the stakes of peacemaking are life-giving and they require methods and thoughts of heroic stature, worthy of the stakes.

The German Problem

At Yalta, an excellent beginning was made by the major powers on the German problem, covering in the main the more immediate measures for Germany's occupation. The need now is to fill in the Yalta agreement in detail and to enlarge it to settle definitely Germany's future.

Is Germany to be occupied in four zones for a certain period of time and then restored as a whole or is the occupation to be the preliminary to a lasting dismemberment into lesser parts? How long is the occupation to last? What kind of

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Germany do we want to end up with? Will the United Nations ask for reparations which require the rebuilding of destroyed German factories and which compel Germany to work at full-tilt, thus again becoming highly industrialized and a menace to the world? Or is German war-making industry to be curtailed and if so, what level of industrial capacity can safely be allowed her?

It is not enough to answer "we want an economically weak Germany." This program should be sufficiently specific -- industry by industry -- so all of the occupying nations know they have agreed to the same thing. It should be put into writing and made public. Until such a program is given common acceptance, the basis for peace in Europe will be lacking.

We Want A Sure Peace

Any effective approach to the German question, it seems to me, must begin by recognizing one inescapable fact -- there is no blinking a thorough overhauling of Germany's economy, for the simple reason that there is no "normalcy" to return to in Germany except that of war-making.

Whether one wants to be "nice" or "harsh" to Germany makes no difference. War must be displaced as Germany's chief business.

Will the measures taken be thoroughgoing enough to be effective? Will they disarm Germany in a way to bring unity to the great powers? Those are the issues.

I have not thought in terms of a "hard" or a "soft" peace. I seek a sure peace.

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Therefore I recommend:

Settle German's Future

1. The earliest definite settlement of what is to be done with Germany.

Break German Dominance

2. Economically, this settlement break once and for all Germany's dominance of Europe. Her war-making potential must be eliminated; many of her plants and factories shifted East and West to friendly countries; all other heavy industry destroyed; the Junkers estates broken up; her exports and imports strictly controlled; German assets and business organizations all over the world rooted out.

Priorities for Peace

3. Through priorities for peace to the peoples Germany tried to destroy, to build up the strength of the United Nations in both Europe and overseas while reducing Germany's overall industrial and technical power. Only when such a new equilibrium is established will it be safe to re-admit Germany to the family of nations.

Full Soviet Agreement

4. That this German settlement be used as a basis for a comprehensive, all-embracing agreement with Russia on the major peace problems. By tackling immediately and forthrightly the question uppermost in the Russian

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mind -- security against Germany -- I believe we can arrive at full understanding with the Soviets. If it is not possible, the sooner we know it, the better.

All Agreements Public

5. This agreement with Russia -- as well as agreements with other nations -- to be in writing and promptly made public in full detail. This has been a People's War. Let it be a People's Peace.

General Staff for Peace

6. Tighten our peacemaking machinery here at home to give us the effect of a General Staff for Peace, charged with drawing up a master plan for the peacemaking so America can exercise the leadership which is her heritage.

Free Look-See in Europe

7. America's role in dealing with Russia should be one of tolerance and fairness. Cooperation is a two-way street. I would like to see this simple rule laid down: what we permit the Russians to do, they permit us to do. There should be a free look-see for all the United Nations throughout Europe.

More Recognition for Russia

8. The United States should use her offices to persuade those nations who still refuse to recognize Soviet Russia to do so.

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Security above Reparations

9. Reparations should be fixed at the maximum within Germany's capacity to pay, consistent with security and not to undercut living standards by forcing exports. Russia and other countries are entitled to labor reparations, particularly if they will include in their labor battalions the principal war makers - the Nazis, the Gestapo, Junkers, the General Staff, geopolitikers, war industrialists, war financiers - leaving the ordinary peasants and workers.

Long Occupation Vital

10. We must ready ourselves for a long occupation of Germany -- as long as it takes for her spiritual and economic rebirth.

Supreme European Council

11. Create a Supreme European Reconstruction Council to coordinate the many aspects of European reconstruction with the German settlement, reparations and other problems.

Positive Foreign Economic Policy

12. Develop a positive American foreign economic policy bringing tariffs, monetary agreements, foreign credits, cartels and all other economic matters into a coherent whole which will meet this one decisive test -- how to preserve the American free enterprise system in a world drifting to cartelizations of various kinds --

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to Statism -- so we can provide jobs for all? Shall we settle the shooting war only to plunge into economic war?

Raise Living Standards

13. Raising human standards all over the world must be a bulwark of postwar economic policy. I would insert into all financial and economic arrangements we make, a denunciation clause giving us the right to terminate any agreement which results in lowering of wages or lengthening of hours -- an undercutting of human standards.

Determined Preparedness

14. Finally, we must see the peace through with speedy ratification of the United Nations Organization and with a determined, enduring program of preparedness, including universal military training, adequate stock-piles of strategic war materials, unflagging intensive research, and the many other things indicated by a modernized mobilization plan designed to convert our nation in quickest order to the conditions of any possible war in the future.

The logistics of war and the potentialities of yet unheard of weapons for destruction are such we must shorten the lag in any future war mobilization or risk defeat.

Peace a Painful Process

There is no use talking about peace unless you are ready to do what needs to be done to make it -- and maintain it. The

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program I have outlined will entail many painful adjustments. I cannot see how we can afford to do less.

The cost of two German world wars -- an estimated 25 million killed; and millions more left maimed and crippled, homeless and emaciated; the twice-repeated devastation of Europe; the destruction of hundreds of billions of dollars in painfully accumulated wealth; the wastes of four generations whose normal lives have been disrupted by the enemy, with the aftermath of this war still to roll over us and our children -- the terrible cost of total war demands that we now resolve to accept no terms but unconditional peace.

After the last war, the victorious Allies acted as if they were determined to forget the plainest lessons of the war. In contrast, the German General Staff set about systematically to remedy the mistakes they had made. As a result, the German war machine for World War II was far more efficient, its mobilization more ruthless, yet better organized. We know how much closer the Germans came to winning; how much greater an effort in lives, time and treasure was required to beat them.

Recover Secreted Assets

When defeat became certain, many of Germany's Junkers, Nazi leaders and war industrialists sneaked abroad assets of every type as reserves for that day in the future when they could try it again. German business abroad has traditionally been an instrument of economic and propagandistic war. These assets and organizations should be rooted out and taken over -- everywhere. No hocus-pocus.

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No falling for "dummy" contrivances. If necessary to make sure that these properties really change hands, I would set up a corporation to finance such transfer.

Formula for Private Property

Enemy assets in each country should be used to make restitution to nationals of that country for properties lost or damaged in enemy countries. In the United States the value of German properties taken over by Congress would be pooled and from this fund Americans with property in Germany or her satellites would receive restitution. Anything left after these claims are met would be turned into a common pool to pay for necessary German imports, with the balance going as reparations. This will make possible de-industrializing German heavy industry even where American or other foreign-owned plants are involved.

I want this to be a just peace -- not one of vengeance. This program does not mean the destruction of the German people. They would have to suffer a comparatively low living standard for a time -- but nowhere as low as what they imposed upon enslaved Europe and not much lower than the standards which they assumed, to give Hitler and the General Staff the stuff to attempt world enslavement.

Heavy Cost of War

The immediate, emergency problem of feeding Germany is a most difficult one. Still it should not affect the program here recommended. The heavy industries which need to be removed from Germany produced guns and munitions. Consumer goods industries

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can be revived to a scale that will meet Germany's own domestic needs. How much food will be available in Germany will depend in great measure on the Germans themselves.

There will be shortages all over the world -- even here. With whom shall we share? Who -- in justice -- should get the highest priorities? The Germans or the peoples they ravaged?

United States of Europe

Unchaining the German people from a war machine which has consumed an easy one-half of Germany's total substance should ease their adjustment. Eventually, purged and reorganized, and the Europe around her made strong, Germany will be able to take her place with her neighbors.

The new equilibrium of industrial strength in Europe might take the form of a United States of Europe -- a United States of Europe in which Germany would be one of several peaceful equals, not the dominating war organizer.

Piecemeal Controls Fail

A number of other proposals for less drastic control of Germany has been proposed -- as placing her heavy industry under international trusteeship or limiting the control to a few so-called "key industries." As temporary aids to the occupation authorities, such proposals have some merit. They fail completely to provide a basis for lasting peace. Only by permanently reducing Germany's over-all war-making potential in relation to Russia, Britain, the rest of Europe and the overseas nations can we

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know that Germany will be unable to go to war again.

Great care should be used in authorizing the rebuilding of German industries, especially heavy industries. It will be easy to permit many industries to revive on a basis of expediency because of present urgent needs, and later find them reestablished to stay.

The argument is raised that Germany is the industrial giant of Europe and that de-industrializing her to any extent would have disastrous economic effects on the rest of Europe and the whole world. There is no denying that Germany has dominated Europe economically. So she did militarily. Nor is there any denying that this domination has been the ruin of Europe and the world. Where has German economic influence been felt and smiles left to that country's people? In Poland? Rumania? Hungary? Greece? Yugoslavia? Austria? Italy? France? Holland? Belgium? Norway? Denmark? In Germany herself?

Cave Age versus Prosperity

To accept the view that the restoration of German industrial dominance in Europe is inevitable -- something we can do nothing about -- is to resign ourselves to the return to a new cave age.-- We might as well begin to put our factories and plants underground.

As a result of controlling Germany, great economic benefits will flow to all of the United Nations. It will open expanded industrial opportunities to them and agricultural and other products which Germany will not use, will be taken up by

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other countries. Britain, which after the war will be confronted with a grave need for increasing the volume of her exports to pay for food and raw material imports, will fall heir to many former German (and Japanese) markets. Instead of trading with Germany, the United Nations will have more trade with one another. More jobs and more business will permit the United Nations to pay part of the war's costs out of higher wages, increased profits and greater tax revenues.

For at least five and possibly seven years there will be an enormous over-consuming demand for everything -- raw materials, manufactured goods, food, clothing, housing, transportation, machinery and capital. If the peace soon to be written permits men to look forward to the future with hope, not fear, prosperity of unpredictable length lies before us.

Allay Soviet Fears

How to insure our working with Soviet Russia is a difficult problem, which has been preplexing many people of late. I have tried to ask myself what would I think if I were a Russian?

Uppermost in my mind -- if I were a Russian -- would be the almost infinite suffering endured from the Germans during the past thirty years. In World War I, Western Russia was overrun and looted. In this war Russia was twice ravaged, as the Germans went in and again as the Germans came out. Any

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nation which has undergone such experiences is bound to be security-conscious to a very high degree.

To illustrate the point, I quote from the introduction to a book I wrote at the close of the last war, "The Making of the Reparations and Economic Sections of the Treaty",

"From wantonly devastated France had not departed the fear and inherent hatred of the enemy who but a few months before had pierced almost to her heart -- the traditional enemy who had brought upon her the bitter days of 1870. With the world war already history, the shadow of the Prussian still hung over the Republic. France was fixed in her determination to erect an impregnable wall, economic or geographical, or both against future German invasion. This, in greater or lesser measure was the attitude of the other Allies."

We Failed the League

If "Russia" were substituted for "France", this quotation would apply equally well to the present situation in Europe. Nor would France's experience after Versailles lessen Russia's concern over her security. At Versailles, France did not obtain her "impregnable wall". Instead she was persuaded to place her reliance on the League of Nations, which we in the United States, who had put it forth, then refused to join. Is it then so surprising to find the Russians shying from placing their first reliance for the security they are determined to gain on peace machinery still untested and whose predecessor failed? Is it so surprising to find Russia insisting on what her officials regard as more realistic security measures?

The occupation of Germany will be difficult enough at best. In the absence of common policy as to the long-range

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fate of Germany, the Soviets are bound to question Allied moves as dictated by a desire to rebuild Germany into a buffer against Russia. In turn, the Western Democracies will suspect Russia of seeking to communize Germany. The Germans can be expected to resort to every imaginable trick to foment discord among the four occupying nations. They will play one nation against the others, one zone against the next, hoping to break the common unity of the Allies, so controls will be permitted to lapse, giving her a chance to recoup, as after Versailles.

Support Eisenhower

General Eisenhower, in my judgment, is ideal to head our occupation in Germany. His deputy Lt. Gen. Lucius Clay is another excellent man, with whose work I am quite familiar. I have every confidence they will handle themselves effectively, with firmness and tact. Recently General Eisenhower described himself as the "executor not policy-maker" in Germany. Give him an agreed upon policy. Don't handicap him.

While on the subject of Russia, I would like to add this general observation: I have no fear of the spread of Bolshevism in the United States -- jobs and higher living standards are the proven anti-toxins. I have stressed the importance of lifting wage and hour standards all over the world. It is crucial if only to keep to a minimum the disruptive effects of the inflation already loose in the world. And as living standards within Russia improve, the atmosphere there should lighten, and some practices which strike us unfavorably are likely to disappear. I am mindful of the tremendous

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changes in our country as we grew from thirteen colonies on the Atlantic. When we recall that it was nearly ten years after the Revolution was won, before our thirteen states could agree on a Constitution for ourselves alone, I am not dismayed that more was not done at San Francisco.

Must Understand Soviets

Relations with the Russians may continue difficult for a time, not only in Europe but on other fronts. Again I point out, we should not be surprised that Soviet suspicions have survived our fighting together against the common enemy. When one reviews recent world history, one finds considerable cause for suspicion between Russia and the Western Democracies -- on both sides. After the Red Revolt in 1917, the Tsarist powers made three major attempts to reconquer Russia, efforts largely armed and supplied by the British and French. The deepest significance of the Munich pact was the exclusion of Russia. It is not that all of Russia's acts were justified but it is important that we understand the Russian point of view.

Russia Must Cooperate Too

On the Russian side there must be equally sincere efforts to understand us. The Russians must appreciate that refusal of Soviet authorities to permit free access to the countries of Eastern Europe has a most adverse effect on American public opinion and will jeopardize any program for the reconstruction of these countries. Another cause of suspicion has been a tendency for the Russians to act unilaterally in many countries. Such actions irritate us less because of our interests

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in those countries than because we feel a moral responsibility to those peoples which we cannot shirk. On our part we must shift our peacemaking machinery into high gear and avoid delays which may prompt unilateral action.

The pledged word kept is the best antidote to suspicion. Above everything else, there must be the most meticulous observance on our part of all our obligations with the Soviets, written or implied, while insisting firmly that they do the same. By doing our homework before going to conferences, agreements can be free of ambiguity.

Before the war, business interests in this country acquired the greatest respect for the manner in which Russia kept all contracts and observed all credit arrangements. Our admiration has been increased by her incomparable military accomplishments during the war. It would be tragic for the Soviet at this point to permit doubts of their motives to mar this splendid record -- tragic for both them and us -- since it would react against all who want peace.

There are many detailed aspects of German de-militarization and reparations not dealt with here which can be covered in the discussion. The public statements of Messrs. Pawley and Lubin, our reparations commissioners, indicate a clear grasp of the issues. Whether the reparations agreement will have to be ratified by the Senate, I do not know. If so, the Russians and British should be told that now.

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Confusion about Cartels

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This Committee has asked that I discuss cartels. First, as I see it, we should determine just what we mean by a cartel. The Germans employed cartels as an instrument of economic warfare, which was what they did with every aspect of the German economy. Soviet Russia is an example of a completely cartelized state -- only one buyer, only one seller -- the government. Within the British Empire, trade preferences or sterling bloc restrictions can accomplish the same effects as cartels; so can import and export quotas, compensatory payments, currency depreciations, wage reductions or a lengthening of hours. The last two are more disintegrating. Cartels are established for the purpose of advantage to those engaged in them but these advantages can be obtained in many different ways.

Are all cartels bad? Or are there good cartels as well? Is all competition good, no matter how destructive in result? Shall we return to the unrestricted jungle law of tooth and fang? We have legislated for both sides of the argument. We have anti-trust laws and we have laws and commissions which seek to restrain competitive practice.

Some Competition Bad

In stabilizing farm prices, our government year after year approves cartel-like practices and I think you gentlemen will agree with me that it is a good thing. I have always felt that in any area where competition becomes so disruptive as to hurt the general good, the government was duty-bound to correct

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the worst effects of unbridled competition.

With some raw materials not produced in this country, we may find cartels forcing us to pay higher prices. Should our government use its influence to see that our manufacturers are not squeezed, particularly where materials vital to our defense are involved? We can protect ourselves somewhat by keeping in reserve our stocks of these strategic materials.

Patents Mean Know-How

Foremost in the minds of the Committee, I gather, is the relationship between German, other foreign and American manufacturers in the use of patents. In most instances, I think you will find that Americans have improved upon the processes which they obtained through these negotiations. Should the Americans not have bought those patents? If that is the desired policy, it can be put into effect simply by prohibiting the use of those patent processes in America. This would force the things manufactured under those patents to be produced outside of the United States without benefit to our economy or increasing our own know-how.

One proposal is that all international business agreements entered into by American firms be registered with the government, say, the State Department. Any businessman should welcome such a law since it would free him of danger that a business act taken in good faith in one year could be accused against him years later, possibly under changed international conditions.

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Registration Not Enough

Will the State Department or any other agency that is set up to handle such registrations know which agreements are in the national economic interest and which are not? Do we have enough of a positive foreign economic policy in this country?

This question goes beyond patent matters. Are American businessmen to be encouraged to invest abroad and to widen their exports and are their interests to be protected by the government or disregarded? What if we grant government credits to a country like Soviet Russia? What becomes of little business if it has to face an import and export monopoly of another government? Under the Bretton Woods agreements are loans to be made to countries which may evade the agreements through cartel-like methods?

Bounded Policy Needed

I do not want to seem to leave you in confusion on this matter.-- What I am trying to get across is that there has been too much discussion of this question without regard to the part it plays in the broader picture of the need for a coherent American foreign economic policy, which we still lack.

Every report from abroad indicates the different nations of the world are becoming more -- not less -- cartelized -- cartelized in many different forms, especially as to foreign trade. How free will the economy of any European country be after this war? What if certain industries in these countries

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are nationalized? What then becomes their position and how do we adjust ours to it? Suppose a United Nations registration of all cartels were suggested? What would that cover?

Keep our Leadership

In making my recommendations, I have sought only to stimulate action so that we will exercise the leadership which is ours. I would not want to see that leadership which we have held for 150 years now lost to others or wasted through disuse.

A vastly better world lies ahead if we use the intelligence and gifts of nature that have been bestowed upon us. We can live alone. Be sure of that. Let us then encourage and help those who live with us to live our way -- not to copy our way in detail -- but to stand with us on the broad base of expanding human dignity and freedom.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 6/25/45

TO Secretary Morgenthau
FROM E. B. Fussell

Congressman Wright Patman's "Tribute to Hon. Henry Morgenthau, Jr." was mailed to the following:

	(Approximate figures)
War Finance County Chairmen	4,000
War Finance State Chairmen and State Publicity Men	100
College Presidents	1,700
Business & Industry Committee for Bretton Woods	80
Federal Reserve Banks	12
State Bankers Associations	50
Selected Individuals	124
Professional Organizations	220
Men's National Organizations	116
Women's National Organizations	219
Youth Organizations	6
Patriotic Organizations	71
Labor Organizations	8
Church Leaders	128
Negro Organizations	7
National Committee Members	66
Religious Organizations	78
Veterans' Organizations	30
Total - - -	7,015

E. B. Fussell

SPECIAL
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 25, 1945

TO Mrs. Klotz
FROM Secretary Morgenthau

I want to find out from Fussell - did he send Wright Patman's statement to each County Chairman in War Bonds? That was the original idea and there was some discussion that they wouldn't. I would like to find out.

Fussell is sending us a memo on this. He also is sending us some copies of the article.

*12 copies
Rest is in Chicago*

SPECIAL
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 25, 1945

TO Mrs. Klotz
FROM Secretary Morgenthau

Will you find out the list of persons to whom the statement by Congressman Wright Patman was mailed? If there were any left over, I would like to mail a few to friends. I surely want to mail it to my own immediate family. Please speak to me about it. I think the person who knows about it is Ed Fussell.

(Not printed at Government expense)



Congressional Record

PROCEEDINGS AND DEBATES OF THE 79th CONGRESS, FIRST SESSION

Tribute to Hon. Henry Morgenthau, Jr.,
Secretary of the Treasury

SPEECH

OF

HON. WRIGHT PATMAN

OF TEXAS

IN THE HOUSE OF REPRESENTATIVES
Wednesday, June 6, 1945

Mr. PATMAN. Mr. Chairman, no discussion of the Bretton Woods program would be complete without a tribute to the man who is primarily responsible for this opportunity to build a solid economic foundation for world peace and world progress. I refer to Henry Morgenthau, Jr., the Secretary of the United States Treasury. He has held that position longer than any other person in the history of the United States, with one exception: he has done more during his incumbency than any other Secretary of the Treasury, with no exception.

The Bretton Woods program for the International Bank and Fund is the culmination of the policy of international monetary and financial cooperation which the Treasury Department inaugurated under Secretary Morgenthau.

The decade of the 1930's, partly as a result of the depression, was a period of serious monetary disorder. Countries were unable to maintain the value of their currencies and world trade declined rapidly. Difficulties were intensified by the fact that Germany, girding for a war of aggression, inaugurated a virtual economic reign of terror, using restrictive and discriminatory exchange controls to attack established trade relations and to obtain a large supply of war materials.

Secretary Morgenthau realized very early that only through international cooperation would it be possible to free world trade from the mounting volume of currency restrictions.

The fact that in the latter part of the 1930's the exchanges of the Latin Amer-

ican republics were relatively stable is largely due to arrangements we made with them.

Secretary Morgenthau's keen awareness of the imminence of war in Europe and the possibility it might become world-wide, endangering the United States, was demonstrated as early as 1936. In that year the impending devaluation of the French franc held threats of grave trouble. If the devaluation should have set off a new international-exchange war, the French economic structure might be so weakened by risks and strikes that Hitler, even with a military machine only half built, would have been encouraged to march in, with the thought that he could take France with little or no struggle.

This was part of the reasoning that resulted in the United States, Great Britain, and France joining in the tripartite agreement of 1936. The purpose of the agreement was to maintain a reasonable parity between the currencies of the co-operating nations. Holland, Belgium, and Switzerland soon joined the originators of the plan and the members of the so-called sterling bloc likewise benefited from exchange stabilization.

If, at that time, there had been the machinery under which economic and political cooperation could have been developed along with this monetary co-operation, the Axis Powers might well have been curbed and this terrible war prevented. Unhappily, there was no such machinery.

Secretary Morgenthau remained, however, constant in his knowledge that economic cooperation must underlie political cooperation and must provide a solid foundation for any enduring peace. He awaited the propitious time for bringing the peace-loving nations of the world together and the Bretton Woods Conference came as the result of his untiring efforts and unflagging zeal.

Let no one think of the present Secretary of the Treasury as a starry-eyed idealist intent upon only distant goals. His entire record shows a deep realization that his job is to serve the United States of America and its people.

In the years preceding the outbreak of World War II he was outstanding in his recognition of the necessity of seeing that the United States should be prepared to meet any eventualities.

It was largely due to Secretary Morgenthau's insistence on American preparedness that American aircraft factories were tooling up, well in advance of President Roosevelt's historic plea for 50,000 airplanes, to assume their obligations.

It was largely due to investigations launched by the Treasury Department, even before Hitler's attack on Poland, that this country knew what critical and strategic materials it might require, if war should bottle up our customary sources of supply, across the Atlantic and the Pacific.

It was largely due to Secretary Morgenthau's personal interest that realistic programs of helping China and other American countries meet their urgent economic problems were launched. But for those programs Japan might have crushed China in relatively short order and Hitler and Mussolini might have been able to establish, in our own hemisphere, military bases for war against the United States.

Some may say that such reasoning is too much in the category of what might have been. But there can certainly be no disputing the solid evidence of facts and figures.

Let us turn to the matter of war financing. Secretary Morgenthau's record resounds to his credit at every point. He has urged, in one Congress after another, revenue programs designed to keep the Nation's finances upon a sound basis. His advice has not always been followed

CONGRESSIONAL RECORD

to the letter. It is to his credit that he has urged sound financing at all times and that he has opposed such plans as the forgiveness of \$4,000,000,000 of taxes due, when income taxes were placed on a pay-as-we-go basis. It is unfortunate that in this matter a past Congress failed to heed his advice. But his leadership has been preeminent at all times. And it is due to his careful planning that the great expansion in the Federal debt has been achieved with stable interest rates—far lower than have ever been achieved in any previous war. If you who hear me will think back to the 4½-percent rate which prevailed during World War I, and contrast this with the 1½-percent rate prevailing today, you will need no further argument on this point.

As a result, this country is saving approximately \$4,000,000,000 a year.

This fact is not merely a tribute to Secretary Morgenthau's war record. It comes about as the result of careful planning, prudent management of the Nation's fiscal affairs in time of peace, plus intelligent development of new ideas for the benefit of the Government and its people.

Arrangements for war financing are a case in point. Back in 1935, when United States Savings bonds were first offered to the public, there was no threat of war. But it seemed to Secretary Morgenthau that it would be a good thing for the Government to have the national debt distributed as widely as possible, and that it would be a good thing for the people to encourage their thrift, and their interest in National Government, as its bondholders.

We called them "Baby bonds" then. But the Baby bonds of 1935 and succeeding years grew into the Defense bonds that enabled this country to finance its preparedness program, and after December 7, 1941, they became the war bonds that are held by 83,000,000 Americans.

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today. And but for the start that was made, long before war clouds hung over the world, this Nation would never have been able to distribute its bonds so widely or to make effective generally the economic safeguards that have been established.

The people of this country recognize what has been done and what is being done. And their record in oversubscribing every war loan to date will, I am confident, be matched in the Mighty Seventh Drive, now in progress.

The people know Secretary Morgenthau is right, not only because they see the results of his policies, but because they know his philosophy. It is the philosophy of Thomas Jefferson, of Andrew Jackson, of Abraham Lincoln, of Franklin Roosevelt, of Harry Truman. These men knew the people. They trusted the reasoned, informed judgment of the people. And so does Henry Morgenthau, Jr.

I hardly need to remind you of the posture that was so evident, early in the war, for a system of compulsory savings. But Secretary Morgenthau was adamant upon this issue. He wanted people to invest their savings in Government bonds, not under compulsion, but of their free will—because they wanted to win the war and because United States bonds were the world's best and safest investment. And Secretary Morgenthau's reasoning on this issue is so significant of the philosophy guiding all his actions that I quote from what he said, back in 1941, when he first asked authorization from Congress to borrow from the general public, through a defense savings bond campaign. The Secretary said:

There exists in the country today an overwhelming desire on the part of nearly every man, woman and child to make some direct and tangible contribution to the national defense. We ought to give them a sense of personal participation beyond that which comes

from doing their daily job faithfully and well. Every day, letters come to me from people who ask "What can I do to help?" Our plan to offer securities attractive to all classes of investors is an attempt to answer this question. I can think of no other single way in which so many people can become partners of their Government in facing this emergency.

Some people in this country today are seeing another side of Secretary Morgenthau. It is quite in keeping with his trust in the people as a whole that he should be shocked at the discovery of malfeasance. It is quite in keeping with his determination to protect the interests of the millions of men in uniform, the 10,000,000 individual taxpayers and the 10,000,000 bondholders that he has declared unrelenting war upon the stock marketeers, the racketeers and the other war profiteers who see in this terrible conflict only an opportunity to amass personal wealth—and dodge their taxes.

I predict stern justice for these tax evaders, because I know the spirit that animates Secretary Morgenthau and I know, too, what delight he takes in administrative efficiency, in accomplishing results, whatever he undertakes.

It is, perhaps, a long cry from the tripartite accord of 1936 to the campaign against tax evasion, and some of my hearers may say there is little connection between war bond campaigns and Bretton Woods. But I want to point out that the record of a man provides the best yardstick to measure his stature. I point to the record of Secretary Morgenthau because it is an outstanding record. He has foreseen developments on occasion after occasion. He has acted promptly and effectively. He saw, long ago, the necessity for a stable economic order if the world was to enjoy peace. Today we have an opportunity to take advantage of his foresight, his planning, his wisdom.

134 ✓
June 25, 1945

Dear Ed:

The San Francisco Conference is a great triumph. You handled some extremely difficult situations with great intelligence, patience and good humor.

The result is a very hopeful outlook for organized and purposeful peace.

I give you my most cordial congratulations.

Sincerely,

(Signed) Henry

The Honorable Edward R. Stettinius
Secretary of State

HEG/mah

135 ✓
25 June 1945

Secretary Morgenthau
Mr. Luxford

You wanted me to remind you that in our publicity relating to the Elliott Roosevelt matter we should emphasize that nothing in Hartford's return disclosed Elliott Roosevelt's name and that, therefore, the Treasury had no notice whatever of Elliott Roosevelt's part. This, to my mind, is of key importance in demonstrating that the Treasury was not soft-pedaling the matter because of Elliott Roosevelt's interest.

AFL:ehb
25/6/45

136
June 25, 1945

John Pehle
Secretary Morgenthau

Have a look at the letter which came in last week from Chester Bowles in which he talks about cooperation on enforcements between the Treasury and OPA. Read it and let me know whether there is anything in it I should be particularly familiar with, also whether I should answer it. Get the letter from Mrs. Klotz. *This letter has been answered.*

137
June 25, 1945

Mr. Gamble
Secretary Morgenthau

These last two cooling machines which you had sent down to New York for me - would you please inquire whether they bring in fresh air from the outside or do they simply cool the air in the room and recirculate it? The machines give off a peculiar odor and I had a very bad headache from them and I wonder if that is from the machine because they don't bring in fresh air from the outside. I would appreciate it if you could get me that information today. Thank you. The machine is called a Monarch. *Gamble talked to Hoops*

6/25/45

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June 25, 1945

Mr. Gamble

Secretary Morgenthau

I have been pleased to note that the Kansas City Star is carrying a lot more news on War Bonds. I want to compliment you and whoever your representative is in Kansas City on the good job they are doing now. *File*

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Sent to Mr. Latta at the White House
Or transmittal to the President

140 ✓
PLEASE TRANSMIT BY WIRE.

June 25, 1945

MESSAGE FOR THE PRESIDENT:

Pleased to inform you that we are announcing tonight for Tuesday morning's papers that we have sold over \$20 billion of War Bonds so far.

With kind regards,

Henry Morgenthau, Jr.

141
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 25, 1945

TO Secretary Morgenthau
FROM Mr. Gaston

I attach a draft of a letter to Forrestal, which is not to be mailed but delivered personally by Waesche. The bill sets a post-war authorized strength ceiling of 3,500 officers, 1,400 warrants and 30,000 enlisted men, which will enable Coast Guard headquarters to go ahead and make some plans for reduction and for taking on the enlarged work of air-sea rescue and aids to navigation, principally Loran stations, a new type of navigational aid. The actual strength of the Coast Guard in personnel in any year will of course depend on appropriations rather than on this proposed authorization.

Waesche was over discussing the matter with me today. The air-sea rescue work will undoubtedly attain very considerable importance. Present ideas are to combine it with weather observation. Thirteen weather observation stations are now being maintained, which require something like fifty ships. Waesche's idea is to use the Liberty type of ship and to equip each one with one or more helicopters. They now have a considerable number of Catalina flying boats taken over from the Navy for use in rescues from shore and in fact they are taking pilots under training out of the water pretty frequently along the coast.

I expect to discuss soon with Clayton and Waesche the possibility that Coast Guard may be called upon to take over some international rescue and navigational aid functions. If this should develop Coast Guard would probably need more men than are provided for in the bill attached, but it will be a good idea to get something moving.

142

June 26, 1945.

My dear Mr. Secretary:

I have received your letter of June 19 with which were transmitted a copy of a proposed bill "to establish the permanent military strength of the Coast Guard and for other purposes" and copies of proposed letters of transmittal to Congress.

I note that it is provided that the bill shall become effective on the date of the termination of the present war and that the enlarged personnel to be authorized (a total of 3500 commissioned officers, 1,400 chief warrant and warrant officers and 30,000 enlisted men) is based on personnel requirements to carry out augmented post-war functions, including air-sea rescue, operation of direction finder stations, and operation of new electronic aids to navigation.

The proposed bill has my complete approval and the Treasury Department will be glad to cooperate with you in any way you may desire to forward its enactment.

Your courtesy in submitting the bill for our consideration is greatly appreciated.

Sincerely,

(Signed) H. Morgenthau, Jr.

The Honorable

The Secretary of the Navy

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JUN 19 1945

The Honorable
The Secretary of the Treasury

My dear Mr. Secretary:

There are transmitted herewith a copy of a proposed bill "To establish the permanent military strength of the Coast Guard and for other purposes", together with copies of proposed letters of transmittal to Congress explaining the purpose of the proposed bill.

The proposed bill provides that it shall be effective on the date of the termination of the present war. Since at that time or shortly thereafter it is expected that the Coast Guard will be returned to the jurisdiction of the Treasury Department the bill is of primary concern to the Treasury Department. It is proposed at this time so that proper planning can be made for the peace time activities of the Coast Guard. In this connection, attention is invited to the Report of Board of Visitors of the Coast Guard Academy composed of Representative Gordon Canfield, Chairman, and Senators George L. Radcliffe, Edward V. Robertson, W. Lee O'Daniel, and Thomas C. Hart, and Representatives Joseph E. Talbot, Ralph Daughton, Eugene J. Keogh, Chase G. Woodhouse, and Oliver F. Weichel, members, and Captain Ellis Reed-Hill, USCG, Secretary, from which the following is quoted:

"The board understands that Coast Guard headquarters has developed a postwar plan which has been approved by the Navy subject to such changes as subsequent events may dictate. It is recommended that legislation necessary to effectuate these postwar plans with respect to personnel and functions should be introduced and enacted at the earliest possible date." (91 Congressional Record, June 12, 1945, p. A3044).

The authorized strength of the Coast Guard provided in the proposed bill is based on personnel requirements to carry out the functions to be assigned pursuant to the post war-plans for the Coast Guard in addition to its normal peace time functions. These include air-sea rescue, operation of direction finder stations, and operation of new electronic aids to navigation, functions which are considered necessary to the post-war naval and commercial interests of the United States.

The Honorable
The Secretary of the Treasury

Your views on the proposed legislation are requested. The proposal will not be submitted to the Bureau of the Budget for advice as to its relationship to the legislative program of the President until your answer is received. Since it is desired to secure prompt action on this proposed bill an early reply would be greatly appreciated.

Very truly yours,

b/ Larrabee

Incl.

- 2 -

Return to 8-7
GMM:gsa GMM: (1)014

CG-1-014

The Honorable
The President of the Senate

Sir:

There is transmitted herewith a proposed bill "To establish the permanent military strength of the Coast Guard and for other purposes".

The purpose of the bill is to fix the permanent peace time strength of the Coast Guard. It provides authorization for thirty five hundred commissioned officers, fourteen hundred chief warrant and warrant officers, and thirty thousand enlisted men. Although it is provided in section 7 of the proposed bill that it will not become effective until six months after the termination of the present war, it is most essential that it be enacted at this time so that proper planning can be made for the peace time activities of the Coast Guard. It is necessary now to plan the curriculum at the Coast Guard Academy and schedule admissions of cadets at the Academy to provide the trained officers who will perform the post-war duties of the Coast Guard. It is also desirable to effect a planned transfer of the permanent officers and men of the service to the normal peace time duties of the Coast Guard, insofar as possible, permitting reserve personnel to perform duties incident to the remaining special wartime functions of the Coast Guard during the period when such functions are being terminated.

The limits on the permanent military strength of the Coast Guard as established by the proposed bill have been determined on the basis of detailed plans for the post-war duties of the Coast Guard. These duties include the prewar peace time functions of the Coast Guard such as maritime law enforcement, protection of the customs revenues, protection of life and property from the perils of the sea, conducting the North Atlantic ice patrol, and establishing and maintaining aids to navigation. The plans also provide for certain amplification of these prewar functions and for the undertaking of new related functions which will be performed by the Coast Guard. These include air-sea rescue, operation of direction finder stations, and operation of new electronic aids to navigation. The performance of these functions by the Coast Guard is provided for by demobilization and post-war plans for the peace time functions of the Coast Guard and are related to its general duty to maintain a state of military readiness to operate with the Navy in time of war. These

CG-1-01A

functions are considered necessary to the post-war naval and commercial interests of the United States.

Authority is provided by the proposed bill to appoint commissioned officers in the Coast Guard from among the chief warrant and warrant officers and enlisted men of the regular Coast Guard, temporary commissioned officers, members of the Coast Guard Reserve, members of the former Bureau of Marine Inspection and Navigation, and licensed officers of the United States Merchant Marine. It is provided that persons commissioned from these sources must be found by the Secretary of the Treasury to be mentally, morally, professionally, and physically qualified. They will be appointed in grades appropriate to their qualifications and may be assigned to general or special duty. It is intended to commission qualified persons from these sources to fill the officer needs of the Coast Guard. It is not intended, however, immediately to fill the entire authorized complement by such appointments. The complement will be gradually filled over a period of years by such appointments and by the regular graduates from the Coast Guard Academy. Until such time, it is planned to retain a sufficient number of officers of the Reserve on active duty to carry out the authorized functions of the Coast Guard. Except possibly during the demobilization period, the number of such Reserve officers on active duty along with the regular and temporary officers of the Coast Guard will never exceed the total complement authorized by the proposed bill.

It will be appreciated if you will lay the bill before the Senate. A similar bill is being transmitted to the House of Representatives.

Very truly yours,

1gel.

GEM:fdt

Return to 8-7

Approved by

Lt. Comdr. McMurray

Coast Guard HQ - Legal Div.

-2-

(1)
CG-01A

MEMORANDUM TO ASSISTANT SECRETARY GASTON

Subj: Proposed legislation to establish the post-war military strength of the Coast Guard

1. I am forwarding herewith by special messenger a letter dated 19 June, 1945, from Mr. Forrestal, Secretary of the Navy, addressed to the Secretary of the Treasury, with its enclosures consisting of a draft of proposed bill "To establish the permanent military strength of the Coast Guard, and for other purposes" and copies of letters of transmittal.
2. This proposed legislation is of primary interest to the Treasury Department and, as a reading of Mr. Forrestal's letter and its enclosures will show, it is important that prompt action be taken by the Treasury Department in replying to Mr. Forrestal's communication.
3. After you have read the letter and enclosures, please hold them on your desk and I will come over and discuss the matter with you in a day or so.

R.R. RAUSCHKE

Return to 8-7

RRH:ab

NOTE

MR. CHARLES BELL'S OFFICE TO

Strength as of May 31, 1945.....	Commissioned Officers.	11,040
	Chief Warrant and	
	Warrant Officers	1,632
	Enlisted men	<u>158,940</u>
	Total	171,612
 Strength as of November 1, 1941.....	Commissioned Officers.	793
	Chief Warrant and	
	Warrant Officers	910
	Enlisted men	<u>22,334</u>
	Total	23,937

A BILL

To establish the permanent military strength of the Coast Guard, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the total number of regular commissioned officers (both permanent and temporary) on the active list of the Coast Guard (exclusive of those holding a rank by virtue of office, of chief warrant officers and of additional members as authorized by law) shall not exceed three thousand five hundred, distributed in grades in such proportions as the Secretary of the Treasury determines the needs of the Coast Guard require, but within the proportion provided by law.

SEC. 2(a) The President is hereby authorized to appoint, by and with the advice and consent of the Senate, commissioned officers in the Coast Guard in grades appropriate to their qualifications, as determined by the Secretary of the Treasury, from among

- (1) Chief warrant and warrant officers and enlisted men of the regular Coast Guard;
- (2) Temporary commissioned officers;
- (3) Members of the Coast Guard Reserve;
- (4) Members of the former Bureau of Marine Inspection and Navigation, Department of Commerce, who were transferred to the Coast Guard by Executive Order No. 9083, dated February 28, 1942 (7 F.R. 1609), as amended; and

(5) Licensed officers of the United States Merchant
Marines;

as the needs of the Coast Guard may require, and as are found by the Secretary to be mentally, morally, professionally, and physically qualified. Officers commissioned under this section shall be commissioned for general duty or special duty in accordance with their qualifications. A person commissioned to perform special duty in accordance with his qualifications shall be examined for promotion only with respect to those qualifications which pertain to his specialty.

(b) Each appointee under this section shall take precedence with other officers commissioned in his grade under this section as the Secretary may determine, and with other officers in his grade in accordance with the date of his commission in such grade in the regular Coast Guard.

SEC. 3 The total number of regular chief warrant and warrant officers (both permanent and temporary) on the active list of the Coast Guard shall not exceed fourteen hundred.

SEC. 4(a) The President is hereby authorized to appoint, by and with the advice and consent of the Senate, as chief warrant officers of the Coast Guard such of the persons included in subsection (a) of section 2 as the needs of the Coast Guard may require and as the Secretary finds to be mentally, morally, professionally and physically qualified.

(b) Under such regulations as he may issue, the Secretary is hereby authorized to appoint as warrant officers of the Coast Guard such of the persons included in subsection (a) of section 2 as the needs of

the Coast Guard may require.

(c) Each appointee under this section shall take precedence with chief warrant and warrant officers appointed under this section as the Secretary may determine, and with other chief warrant and warrant officers in accordance with the date of his commission or warrant in the regular Coast Guard.

SEC. 5 The total number of enlisted persons (both regular and temporary) on the active list of the Coast Guard shall not exceed thirty thousand.

SEC. 6 Until such time as the number of commissioned officers, chief warrant officers, warrant officers, and enlisted men (both regular and temporary) of the Coast Guard shall be adequate to meet the needs of the service, the Coast Guard is authorized to employ on active duty personnel of the Coast Guard Reserve in such numbers that the totals of commissioned officers, chief warrant and warrant officers, and enlisted men, regular, temporary, and reserve, will not exceed the totals authorized by this Act.

SEC. 7 This Act shall not take effect until six months after the termination of the wars in which the United States is now engaged as proclaimed by the President or such earlier termination date as the Congress, by concurrent resolution, may fix: Provided, That the permanent military strength of the Coast Guard herein established may be temporarily exceeded for the period required for the release of Coast Guard personnel from Naval duty and their demobilization if not completed by the effective date of this Act.

State of New York
Court of Appeals



Irving Lehman
Chief Judge

36 West 44th Street
New York 18
June 28th, 1945

Personal and Private

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

Dear Henry,

I enclose a letter I have received
from Mr. Kernan. I am sorry that I do not know of
any person whom I could recommend with any degree
of confidence.

Sissie joins me in love to Sissie and
yourself.

Affectionately,

Irving L.

KERNAN AND KERNAN
COUNSELORS AT LAW

FRANCIS F. KERNAN
WARRICK J. KERNAN
EDWARD J. KERNAN JR.
WILLIS D. MORAN
HOWARD W. TAYLOR
THOMAS E. KERNAN
CHARLES D. PHILLIPS
JAMES E. KERNAN, JR.

UTICA, N.Y. Thursday

My Dear Judge Lehman:

Referring to our telephone talk of
yesterday, I neglected to say that the person, about
whom we were speaking, seemed at one time an excellent
counsel.

The question as to courage is difficult to answer,
because my acquaintance with him was not too sufficiently
close to appraise such quality. It may be said
there, however, when I say that I think him
to be honest and loyal, and if given any task, he would
do his utmost to accomplish it.
In other words, there would be no divided loyalty.
With my warm regards as always

Sincerely,
Francis Lehman

copy

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Kernan and Kernan
Counselors at Law

Utica, N. Y.
Thursday

My dear Judge Lehman:

Referring to our telephone talk of yesterday, I neglected to say that the person, about whom we were speaking, served at one time as Corporation Counsel.

The question as to courage is difficult to answer, because my acquaintanceship has not been sufficiently close to appraise such quality. It may bear thereon, however, when I say that I think him to be honest and loyal, and if given any task, he would do his utmost to accomplish it.

In other words, there would be no divided loyalty.

With my warm regards as always

Sincerely,

/s/ Wernick J. Kernan

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 25, 1945

TO Secretary Morgenthau
FROM Mr. Coe FC

These two men in the Legal Division, working closely with Foreign Funds Control, did a bang-up job on this Executive Order. Mr. Alk is now in the Philippines but for his and Mr. Arnold's record I hope you will consider something like the attached note.

Messrs. I. G. Alk and E. Arnold
Secretary Morgenthau

156
25 June 1945

I want you to know that I appreciate your fine work in connection with the recent agreement with the Alien Property Custodian concerning the disposition of German and Japanese assets.

C. G.
A. H. J.

M. Hoffmann:er 11 June 1945

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June 25, 1945

MEMORANDUM FOR THE FILES

Subject: Draft Telegram from the President to the Prime Minister
Concerning Phase II Lend-Lease

On June 25 the Secretary handed the attached draft telegram to Mr. Beams of the State Department telling him that he did not intend to send this over formally to the State Department but that Mr. Beams might instead give it to Mr. Grew with the information that this was the type of telegram Secretary Morgenthau thought should be sent to Prime Minister Churchill in response to his message of May 28.

Previously I had explained to the Secretary that we understood that Messrs. Clayton and Vinson were now discussing this matter and that the State Department officials with whom we had been conferring had told us the matter was out of their hands. I said we had a draft ready but had not cleared it with Mr. White or the Secretary. I also showed the Secretary an alternative wording for the proposed telegram which added the phrase "as I am confident you will" and which would have served to remind the Prime Minister that he too had made certain undertakings at Quebec. The Secretary said he did not think that these words should be added.

In the course of the conversation the Secretary repeated to Mr. Beams his objections to the telegram which had been drafted and to the failure of those concerned to furnish us with full copies of all the correspondence and of the incoming telegram when it reached them. He also made it plain that he had liked the reply which Judge Vinson had sent to Secretary Stimson on this matter under date of June 13, see attached.

Frank Coe

FC

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DRAFT

TOP SECRET

TELEGRAM TO PRIME MINISTER CHURCHILL FROM PRESIDENT TRUMAN

This is in reply to your Message No. 57 of May 28.

We shall of course carry out in full the understanding reached between you and President Roosevelt at the Quebec Conference.

The War Department officials concerned with the lend-lease program understand this and I am confident that there will be adequate appropriation to carry out the decisions reached by the Combined Chiefs of Staff.

Draft telegram handed to Beams by Secretary Morgenthau, June 25, 1945.

June 21, 1945

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We shall, of course, carry out the understandings reached between you and President Roosevelt at the Quebec Conference as I am confident you will.

Alternative version rejected by Secretary, June 25, 1945

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TOP SECRET

TELEGRAM TO PRIME MINISTER CHURCHILL FROM PRESIDENT TRUMAN

I have gone into the question that you raise in your message (No. 57) of May 28 in regard to lend-lease during the Japanese War. We intend to furnish lend-lease during the Japanese War in accordance with the general policy discussed between you and President Roosevelt at Quebec on September 14, 1944, and that was the basis for the discussions between American and British representatives in Washington in October and November 1944 in regard to Lend-Lease requirements for the first year following the defeat of Germany. In the light of the anticipated war strategy lend-lease will be furnished on the basis that will permit a partial and equitable reconversion in the United Kingdom, and plans have been worked out here for your representatives on the CPB to make available full information on the British reconversion program to American officials responsible for the administration of lend-lease.

You, of course, realize that the policy I have indicated does not necessarily mean that either the military or the non-military program for the coming year will be equal to the lend-lease requirements as estimated in the meetings of last October and November. Those estimates were subject to changing strategic demands as well as to supply considerations and considerations of procurement and allocation, and to the provision of the necessary funds by Congress. I have requested Congress to appropriate funds that will make possible lend-lease deliveries to the British Commonwealth in accord with the spirit of these earlier understandings, and I am confident that lend-lease will continue to be a powerful weapon in bringing the war to a speedy and victorious conclusion.

In connection with the foregoing, it has come to my attention that the British gold and foreign exchange holdings are now considerably higher than was anticipated at the time of the Phase II discussions. I do not wish to propose reopening the Phase II discussions on this account. However, I would like to request that your Government relax its position with respect to permitting dollar payments on certain items, particularly those where the unwillingness of your Government to make payments leads to political criticism in the United States. For example, it would be of considerable assistance if your Government relaxed its restrictions on dollar payments for the proceeds of U.S. Government property sales in the Middle East and elsewhere; if the U.K. continued to take its share of the burden of the military relief and UNRRA programs in Europe; and if dollar payments were allowed on other items which arise from time to time in our relationships. I urge that you provide this flexibility in the long-term interest of both your country and mine.

State War Treasury Post War
A-C U

LP:PW:etter:DO
6/20/45

Draft telegram vetoed by the Secretary June 25, 1945

TOP SECRETPERSONAL

PARAPHRASE OF A MESSAGE SENT BY THE PRIME MINISTER TO THE
PRESIDENT ON MAY 28th, No. 57

I am distressed to have to bother you with this telegram when so many other graver matters are pending. But machine has come to a standstill on the subject and it is felt on all sides here that the matter should be referred by me to you.

When I met President Roosevelt at Quebec in September 1944 we both initialled an agreement about Lend-Lease after defeat of Germany. In accordance with that agreement a detailed plan was worked out with your Administration by the Keynes Sinclair Mission. It is on this basis that our production plans have been made.

I now hear that your War Department has told our people in Washington that they are expecting so large a cut in their forthcoming appropriations for United States Air Corps that supplies to us must be drastically curtailed below schedule of our requirements as agreed last Autumn. These requirements were of course subject to subsequent modification in the light of changes in strategic situation. I am hopeful that our requirements as agreed last Autumn can now be reduced but details of reduction must depend upon discussions between our respective Chiefs of Staff which will not have been completed before May 31st. Meanwhile I hope your people can be told that principles your predecessor and I agreed to at Quebec still stand and in particular that appropriations given your War Department will be enough to provide for our needs as finally worked out between us.

Incoming telegram from the President

SECRET

19 June 1945

The Honorable

The Secretary of State,

Washington, D.C.

Dear Mr. Secretary:

This acknowledges receipt of letter of 9 June 1945 from Mr. James A. Maxwell to General E.S. Greenbaum inclosing a draft of the proposed cable from the President to the Prime Minister in response to the Prime Minister's cable of May 28, and requesting comment on this draft.

Yesterday I received from the Director of War Mobilization and Reconversion a letter dated 13 June 1945, a copy of which is attached. The proposed cable appears to the War Department to be consistent with the direction contained in that letter. If the cable is to be sent, it is believed that its accuracy would be improved by making the second sentence read as follows:

"We intend to furnish lend-lease during the Japanese War in accordance with the general policy discussed between you and President Roosevelt at Quebec on September 14, 1944, and that was the basis for the discussions between American and British representatives in Washington in October and November 1944 in regard to lend-lease requirements for the first year following the defeat of Germany."

It should be noted, however, that the War Department's requests for appropriations for military lend-lease were arrived at, and have been presented to the Congress, under policies considered appropriate by the Joint Chiefs of Staff, which contemplate, among other things, the furnishing by the War Department of only those materials which are not available to, and cannot otherwise be provided by, the British Empire on the premise that the Empire will maintain its forces for the war against Japan to the fullest possible extent from its own stocks and production.

This policy is not in accord with the implications of the proposed cable. It may be necessary, therefore, for the War Department to request the Congress for funds for the specific purpose of carrying out the direction contained in the letter of 13 June 1945.

Sincerely yours,

Secretary of War.

Letter from Stimson to Clegg concerning Vinson letter.

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OFFICE OF WAR MOBILIZATION AND RECONVERSION
Washington 25, D.C.

June 13, 1945

My dear Mr. Secretary:

Your letter of May 15, 1945, with reference to the requirements of the British Empire for war material for the period following VE-Day, was the subject of a discussion held in my office on June 4, 1945, with Under Secretary Patterson, Mr. Crowley, Mr. Clayton and me.

It was agreed that the tentative principles enunciated in your letter were not broad enough to cover the understanding reached between the late President and the Prime Minister at Quebec.

In general, it was agreed that, in accordance with those understandings, lend-lease should be furnished on a basis which would permit proportional and equitable reconversion in the United Kingdom. It was further agreed that the requirements estimated in the meetings held in October and November 1944 should be accepted as the basis for present requirements. Such estimates, however, are always subject to change in the light of strategic demands and supply considerations.

I assume, of course, that the War Department's budget requests appropriations adequate to fulfill these commitments.

Sincerely yours,

(Signed) Fred M. Vinson

Director

The Honorable
The Secretary of War
Washington 25, D.C.

Letter from Vinson to Stinson on Phase II.

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7th War Loan News Desk
War Finance Division
Treasury Department
Washington 25, D. C.

Sp. Release "3-5"

RELEASE MONDAY AM AND PM, JUNE 25 - AND RADIO LISTENING

WASHINGTON, D.C., June 24 -- Secretary of the Treasury

Henry Percepsen, Jr., will hold the spotlight on the "Spotlight Bands" program Wednesday, June 27th, when he personally interviews a just-arrived veteran of the Okinawa battle during the program's broadcast over the Mutual Network from 9:30 to 10:00 P.M., EDT.

006

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June 25, 1945

Dear Alan:

I am giving this statement out this afternoon for tomorrow morning's papers.

As you most likely know, I am going on the air again Wednesday night, and I wonder what you would think of the idea of our using the three minutes' time to say something about seeing this war through rather having me interview another soldier.

After you have read the press release, I would appreciate receiving a telephone call from you.

Sincerely yours,

(Signed) H. Morcenbau, Jr.

Mr. Alan Barth,
The Washington Post,
Washington, D.C.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 25 June 1945

TO Secretary Morgenthau
FROM J. W. Pehle

At my suggestion, Mr. O'Connell had prepared a statement of President Truman's voting record as Senator, 1935-1944. This statement is attached and I am sure you will find it of interest.

Also attached are a memorandum on statements of President Truman on post-war taxes and excerpts from a report of the War Contract Subcommittee of the Senate Committee on Military Affairs, of which committees President Truman was a member.

I am sending copies of these documents to the interested persons on the Treasury staff.

JWP

Attachments

President Truman's Voting Record as Senator, 1935-1944

For

Against

- | | | |
|--|------|--|
| 1. Repealing income tax publicity. | 1935 | 1. Reduction of relief appropriations from \$4,880,000,000 to \$2,880,000,000. |
| 2. Social Security Act. | | |
| 3. Bonus for veterans. | 1936 | 2. Frazier-Lenke farm mortgage-inflation bill |
| 4. Flood control financing entirely by Federal Government. | | |
| 5. Extension of Reciprocal Trade Agreements Act. | 1937 | 3. Restricting tariff reductions under reciprocal trade agreements. |
| 6. Continued subsidy of farm interest rates. | | 4. Increasing surtax on individual incomes over \$6,000. |
| | | 5. Shelving President's plan for Supreme Court reorganization. |
| 7. Taxing federal tax-exempt securities. | 1938 | |
| 8. Government reorganization plan. | 1939 | 6. Increasing Treasury price for newly mined domestic silver to 77.57 cents. |
| 9. Renewal of President's currency-devaluation powers. | | 7. Allowing TVA to issue \$100,000,000 in bonds to acquire private power facilities. |
| 10. Proposed \$1,615,000,000 public works program. | | |
| 11. Increased federal contribution to old-age pensions. | 1940 | 8. Senate veto power over reciprocal trade pacts. |
| 12. Extension of reciprocal trade program. | | |

- 2 -

13. Lend-Lease Act.
14. \$7,000,000,000 Lend-Lease appropriation.
15. Continuing stabilization fund and President's power to devalue currency.

1941

16. Price Control Act.
17. Freezing Social Security payroll taxes for 1943.

1942

9. Increasing corporate income tax rate from 40 percent to 50 percent.
10. Proposed limitation of profits on war contracts.
11. Prohibiting sales of Government-owned wheat below parity prices for corn.
12. Tax exemption for State and city bonds.

18. Rescinding \$25,000 salary limitation.
19. Extending Trade Agreements Act to 1945.
20. Pay-as-you-go tax bill.
21. Continuing National Resources Planning Board.

1943

13. Paid advertising of war bonds in small newspapers.

22. Exempting unions, farm co-operatives and other tax-exempt organizations from filing financial reports.
23. Overriding veto of 1944 revenue bill.

1944

14. State control of unemployment insurance benefits (George plan).
15. Reconversion Act (George bill).
16. Suspending 10-cents-a-pound tax on colored oleomargarine for duration of war.
17. Reviving food stamp plan for low-income groups.
18. Congressional control of TVA funds (McKellar amendment).
- 891

- 3 -

1945

In 1945 Mr. Truman voted only once. Then, as Vice President, he broke a tie and defeated a proposed limiting amendment to the Lend-Lease extension bill. Purpose of the amendment was to eliminate presidential power to carry out postwar Lend-Lease deliveries under contracts made during the war.

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Statements of Harry S. Truman

Postwar Taxes

From Third Annual Report of Special Committee Investigating the National Defense Program, March 4, 1944:

"If taxpayers are provided with the means for coming out of this war in a financially sound condition, it may not be necessary within the first 18 months after the cessation of hostilities to reduce taxes materially. There is something to be said for beginning now to consider reduction of our national debt in the years immediately following the war. Even if it should be possible to make such an immediate postwar tax reduction, however, a provision could be inserted in the proposed amendment which would prevent any windfalls to taxpayers receiving the proceeds of postwar expense bonds. The proceeds, to the extent that they are not used for purposes deductible as expenses under the then current tax law, could be subjected to tax at the same rate at which they would have been taxable in the year in which they were earned."

Full Employment and Prosperity

From an address before the Society for the Advancement of Management, New York City, Dec. 3, 1943:

"To sum up, the Committee of which I am chairman has had many discussions, public and private, with leaders of Government, industry and labor. From those discussions it is quite apparent that we have everything necessary with which to create the world's greatest prosperity, but that we are faced with certain specific problems on which action should be taken now." (See also attached excerpts from year-end report of War Contracts Subcommittee)

Government Aid to Business

From Third Annual Report of Special Committee Investigating the National Defense Program, March 4, 1944:

"It will be difficult if not impossible for private banking to provide sufficient working capital soon enough. It will, therefore, be necessary for the Government to formulate plans to supplement private banking. ***

"Every effort should be made to induce the corporations to obtain their working capital through the investing public and not by loans from a Government agency."

From an address before the Society for the Advancement of Management, New York City, Dec. 3, 1943:

"To the extent necessary, and only to the extent necessary, the Government should supplement private banking where private banking is not able to do the job, but should not try to supplant it or to place the Government in control of business."

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War Contract Termination

From Third Annual Report of Special Committee Investigating the National Defense Program, March 4, 1944:

"It is obvious that some method of handling termination problems on an over-all basis rather than a contract-by-contract basis is vitally needed. It is obvious that there are problems arising in termination which cannot be solved economically by mathematical formulae, and perhaps cannot be solved at all except by the use of sound business judgment. There is obviously much to be said for vesting discretion in termination officials, who are experienced in business and financial matters, to make lump-sum allowances on at least the smaller contracts—perhaps on all individual contracts for \$5,000, or less, or perhaps even on those for \$10,000, or less. Such a procedure should go a long way toward the goal of quick settlement of termination problems which all authorities have agreed is vital to industrial solvency at the end of the war."

From Third Annual Report of Special Committee Investigating the National Defense Program, March 4, 1944:

"Particular attention must be given to the problems of subcontractors, who otherwise may suffer the full brunt of cancellations without the benefit of shock absorbers devised to protect the prime contractor."

Renegotiation

From an address before the Industrial Conference Council, Sept. 24, 1942:

"In my opinion, the Government must insist upon renegotiating contracts, but we can confine it to a renegotiation of price because of mutual mistakes on cost estimates."

From Third Annual Report of Special Committee Investigating the National Defense Program, March 4, 1944:

"The argument about whether renegotiation should be 'before taxes' or 'after taxes' has been a great tempest in a teapot. If we remember that the basic purpose of renegotiation is to control prices of war material, it is obvious that the tax liability of a particular producer is completely beside the point. Prices must be determined either by free and open competition or, in the absence of competition, by determining what costs are proper, as indicated by results obtained by efficient producers, and what profits constitute a fair reward for the effort and results obtained by the particular contractor."

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Lend-Lease

From Third Annual Report of Special Committee Investigating the National Defense Program, March 4, 1944:

"Before authorizing Lend-Lease, the Congress expressly requested and received assurances that Lend-Lease assistance would be extended only where the recipient was fully utilizing all of its own resources. Such resources, of course, include foreign-held American securities and foreign-held securities which control basic raw materials abroad."

Reciprocal Trade Agreements

From a debate in the United States Senate, March 26, 1940:

"The present Administration in 1934 took the lead in world commercial relations in an intelligent and practical manner and placed the adjustment of tariff duties in the hands of the most competent men available for the purpose, men beyond the reach of political logrolling and tariff lobbying at the expense of national welfare."

Inflation

From Second Annual Report of Special Committee Investigating the National Defense Program, March 11, 1943:

"The Administration's avowed determination to hold down both wage and price increases offers the only hope of avoiding an inflation which would increase war costs tremendously and leave both agriculture and labor facing a severe deflation when the war ends. The success of any such policy must rest upon equitable treatment so that it will obtain the support of all groups and individuals."

Excerpts From the Year-end Report of the War Contract Subcommittee of the Senate Committee on Military Affairs, Part III. *

The report refers to existing post-war legislation and as to the adequacy thereof has the following to say:

"In addition to the three industrial demobilization laws, a number of other post-war measures have been enacted during the Seventy-eighth Congress. We have enacted a G. I. bill of rights. But its provisions are not yet fully adequate to meet the needs of returning soldiers and sailors. Although we have provided for loans to State unemployment compensation boards, we have done nothing to increase coverage under unemployment compensation and old-age and survivors insurance, to liberalize benefits, or to provide for health insurance. We have passed legislation to provide for a miscellaneous assortment of flood-control and rivers and harbors projects, but have postponed action to develop the river basins of our country in a courageous and comprehensive fashion under a Missouri Valley Authority, an Arkansas River Authority, and similar agencies in other areas. We have done little in the preparation of a post-war tax program, on the promotion of foreign trade, or in the adjustment of freight rates that discriminate against industrial activity in the South and the West. We have passed a road bill but have delayed action on post-war airports. We have not come to grips with the problem of monopoly and international cartels. We have not yet mapped out post-war policies on the fundamental questions of labor relations, wages, and prices."

"As measured against the background of our economic needs, the post-war laws that have been enacted add up to very little. The balance sheet shows that the Seventy-eighth Congress never came to grips with the problem of providing an economic substitute for war production."

The report also refers to the first point in the "economic bill of rights" of the President's annual 1944 message to Congress, "The right of a useful and remunerative job in the industries, or shops, or farms, or mines of the Nation", and to the President's Chicago address in October of 1944 in which he mentioned the necessity of providing close to 60,000,000 productive jobs to assure full employment. Commenting upon that goal the report continues:

* Senate Subcommittee Print No. 12, 78th Congress. Former Senator Truman was a member of the Subcommittee, whose chairman was Senator Murray.

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"As yet, unfortunately, we do not have in America an 'adequate program' to provide 60,000,000 productive jobs. Nor will such a program develop out of thin air. The right to a job is not self-enforceable. It can be translated into reality only through the joint action of the people of our country—business, labor, agriculture, and all other groups—acting through the medium of their duly elected Government. In short, the so-called right to a job is a meaningless figure of speech unless our Government assumes responsibility for the expansion of our peacetime economy so that it will be capable of assuring full employment.

"The fight for full employment is a twofold battle.

"On the one hand, the Government must do everything in its power to stimulate increased opportunities for employment in private enterprise. This is the major front.

"On the other hand, to the extent that private enterprise cannot by itself assure full employment, the Government must take such measures as may be necessary to fill the gap."

After stressing the necessity to maintain a high post-war gross national product, and referring to some estimates of \$200,000,000,000 as being necessary for full production and employment, the report continues:

"In the opinion of your subcommittee, the question of what level of gross national product we should aim at is a direct concern of the Government. We believe that the Government should calculate the total of all investment and other expenditures—by consumers, by business, by State or local government, and by the Federal Government—needed to provide jobs for everybody.

"We believe that the Government should give full and complete opportunity for an expansion of business investment and that it should promote increased consumer expenditures.

"We believe that, to the extent that non-Federal expenditures do not provide the necessary total, the Government must develop an investment and expenditure program to make up the deficiency.

"Only in this way can we be sure of providing an economic substitute for war production. Only in this way can we protect our economic structure from collapsing when the framework of war contracts is withdrawn."

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The report sets forth, for purposes of consideration and discussion, the draft of a full-employment bill which is the predecessor of the pending Wagner-Murray-Thomas-O'Mahoney bill.

FEDERAL RESERVE BANK
of New York

June 25, 1945

CONFIDENTIAL

Dear Mr. White:

I am enclosing our compilation for the week ended June 13, 1945, analyzing dollar payments and receipts in official British, French, Canadian, and Australian accounts at the Federal Reserve Bank of New York.

Very truly yours,

H. L. Sanford,
Assistant Vice President.

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

Enclosures 2

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THEASURY DEPARTMENT
OFFICE OF THE SECRETARY

June 28, 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 June 13, 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.

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ANALYSIS OF BRITISH AND FRENCH ACCOUNTS (in Millions of Dollars)

Week Ended June 13, 1945Strictly
Confidential

		BANK OF ENGLAND (BRITISH GOVERNMENT)										BANK OF FRANCE (FRENCH GOVERNMENT)	
		DEBITS				CREDITS				DEBITS		CREDITS	
PERIOD		Gov't Expenditures (a)	Transfers to Official Canadian Account	Other Debits	Total	Proceeds of Sales of Securities (b)	Transfers from Official Canadian Account	Other Credits (c)	Net Incr. (+) or Decr. (-) in \$ Funds (d)	Total Debits (e)	Total Credits (f)	Net Incr. (+) or Decr. (-) in \$ Funds (g)	Net Incr. (+) or Decr. (-) in \$ Funds (h)
War Years (a)													
First		1,293.2	605.6	20.9	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3	0.6	+ 30.1
Second		2,201.0	1,292.2	3.4	2,189.8	1,193.7	274.0	16.7	705.4	+ 13.2	38.9	4.4	+ 14.1
Third		1,235.6	904.8	7.7	1,361.5	21.8	5.5	97.4	1,276.8	+ 125.9	18.5	1.0	+ 9.3
Fourth		764.0	312.7	170.4	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	-	-
Fifth		1,377.7	300.4	61.4	1,399.6	-	-	253.0	1,116.6	+ 171.9	-	-	-
1944													
September		151.0	19.9	50.4	80.7	-	-	1.0	55.5	+ 94.5	-	-	-
October		127.9	21.0	7.4	99.5	-	-	1.0	53.7	+ 73.2	-	-	-
November		74.2	45.4	2.9	25.9	-	-	1.0	91.1	+ 17.9	-	6.5	+ 50.3
December		80.4	21.9	-	58.5	-	-	-	91.6	+ 11.2	56.7	-	-
1945													
January		148.9	98.7	31.3	18.9	-	-	-	54.2	+ 94.7	27.4	6.2	+ 21.2
February		41.4	16.7	4.7	19.8	-	-	-	80.5	+ 9.1	86.8	0.8	+ 86.0
March		73.2	40.3	6.2	15.7	-	-	-	76.3	+ 3.9	2.7	1.9	+ 21.0
April		56.6	25.9	11.1	20.6	-	-	-	62.6	+ 1.0	26.1	2.3	+ 17.4
May		18.6	39.5	2.6	16.5	-	-	-	79.3	+ 6.7	19.7	-	-
June													
July													
August													
Week Ended													
May 23, 1945		6.1	2.5	-	3.6	-	-	-	30.7	+ 24.6	0.5	0.3	+ 0.2
May 29, 1945		20.7	1.1	-	9.6	-	-	-	5.5	+ 5.2	16.2	0.1	+ 16.1
June 6, 1945		15.5	4.1	-	6.4	-	-	-	9.9	+ 0.6	54.7	95.9	+ 41.2
June 13, 1945		4.4	1.6	-	4.8	-	-	-	58.5(1)	+ 52.1	1.1	6.2	+ 5.1
See attached sheet for footnotes.													

Average Weekly Expenditures Since Outbreak of War

France (through June 13, 1945) \$19.6 million
 England (through June 13, 1945) \$27.6 million
 England (through June 13, 1945 to March 12, 1941) \$54.9 million
 England (since March 12, 1941) 21.5 million

See attached sheet for footnotes.

Reports and Analysis Division

ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS (In Millions of Dollars)

Reports and Analysis Division

Week Ended June 13, 1945

Strictly
Confidential

PERIOD	CANADA (and Canadian Government)										COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)									
	DEBITS					CREDITS					DEBITS					CREDITS				
	Transfers to					Transfers from Official					Transfers to					Transfers from Official				
	Total	to Official	Others	Total	of Gold	For Own	For French	Other	Net Incr.	Total	Total	to Official	Others	Total	of Gold	Other	Net Incr.	Total	of Gold	Other
	Debits	A/C	Debits	Credits	Sales	A/C	A/C	Credits	(+) or (-)	Debits	Debits	A/C	Debits	Debits	Sales	Credits	(+) or (-)	Debits	Sales	Credits
War Years (a)	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	34.3	16.7	55.5	61.2	28.3	18.3	+	9.0
First	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	61.2	57.4	49.8	132.2	95.0	-	5.0	-
Second	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	155.1	41.9	200.4	-	-	-	200.4	+	3.4	-
Third	723.6	-	723.6	958.8	42.1	170.4	-	741.3	+ 235.2	197.0	253.0	45.6	287.7	-	-	-	287.7	-	10.9	-
Fourth	849.1	1.0	848.1	958.5	38.1	61.4	-	859.0	+ 283.3	298.6	1.0	4.8	7.3	-	-	-	7.3	+	1.5	-
Fifth	76.5	0.1	76.4	91.8	-	50.4	-	41.4	+ 17.4	5.8	1.0	19.3	21.0	-	-	-	21.0	+	0.5	-
1944	27.1	-	27.1	26.2	-	7.4	-	20.8	+ 14.2	1.4	1.0	2.4	5.8	-	-	-	5.8	+	2.3	-
September	38.8	-	38.8	32.7	-	-	-	32.7	+ 6.1	-	-	-	-	-	-	-	-	-	-	-
October	41.5	0.7	40.8	52.7	-	-	-	50.3	+ 56.5	27.4	-	27.4	5.6	-	-	-	5.6	-	21.8	-
November	35.1	-	35.1	91.6	10.0	31.3	-	39.0	+ 76.1	1.0	-	1.9	4.9	-	-	-	4.9	+	3.0	-
December	27.8	-	27.8	103.9	-	4.9	-	26.3	+ 38.0	1.3	-	1.3	1.7	-	-	-	1.7	+	0.6	-
1945	21.5	-	21.5	62.6	-	13.4	-	39.7	+ 42.4	12.1	-	10.1	8.3	-	-	-	8.3	-	1.7	-
January	28.4	0.5	27.9	10.8	-	-	-	101.7	+ 19.7	10.1	-	-	-	-	-	-	-	-	-	-
February	84.4	-	84.4	104.3	-	2.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-
March	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
April	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
May	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
June	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
July	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
August	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Week Ended	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
May 23, 1945	0.3	-	0.3	33.0	-	-	-	33.0	+ 32.7	2.1	-	2.1	0.5	-	-	-	0.5	-	1.6	-
May 29, 1945	5.2	-	5.2	9.0	-	-	-	9.0	+ 3.8	3.2	-	3.2	4.2	-	-	-	4.2	+	1.0	-
June 6, 1945	1.5	-	1.5	12.1	-	-	-	12.1	+ 10.6	2.1	-	2.1	1.6	-	-	-	1.6	-	0.5	-
June 13, 1945	1.0	-	1.0	12.3	-	-	-	12.3	+ 9.5	0.3	-	0.3	0.4	-	-	-	0.4	-	0.1	-

Average Weekly expenditures for

First year of war
Second year of war
Third year of war
Fourth year of war
Fifth year of war
Sixth year of war

(through June 13, 1945)

6.2 million.
8.9 million.
10.1 million.
13.9 million.
16.1 million.
8.9 million.

- (a) For monthly breakdowns see tabulations prior to: April 23, 1941; October 8, 1941; October 14, 1942; September 29, 1943; September 6, 1944.
(b) Reflects changes in all dollar holdings payable on demand or maturing in one year.
(c) Includes \$ 3.4 million deposited by War Supplies, Ltd.
(d) Reflects net charge on all dollar holdings payable on demand or maturing in one year.

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941; October 8, 1941; October 14, 1942; September 29, 1943; September 6, 1944.
- (h) Transactions for account of Caisse Central de La France D'Outre-Mer included for first time in week ended December 6, 1944.
- (i) Includes \$ 15.6 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports, and \$40.4 million in connection with the expenses of our armed forces abroad.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE June 25, 1945

TO Secretary Morgenthau

FROM Mr. Haas

Subject: The Business Situation,
Week ending June 23, 1945.Summary

Industrial production: Due largely to declines in war industries, aggregate industrial output in May showed a further recession and the FRB adjusted index of production dropped to 227 from 231 in April. The index now stands 20 points below the war-time peak reached in the fall of 1943. Nondurable goods output in May was unchanged from the previous month after allowance for seasonal factors. Minerals output declined only moderately, despite a sharp drop in anthracite coal output due to labor troubles.

Employment: Factory employment showed a further decline of 236,000 in May with 80 percent of the decline occurring in the munitions industries. Aside from the munitions industries, only the textile and apparel industry groups showed declines of more than 10,000 workers, and even these decreases to a large extent were seasonal. Labor restiveness has increased recently, with the number of strikes in progress rising considerably since V-E Day.

Reconversion: The WPB has fixed passenger car production at approximately 242,000 units in the last half of 1945 and 449,000 units in the first quarter of 1946. Production quotas assigned to individual producers in the last half of 1945 range from approximately 95,000 for General Motors to 6,000 for each of the 6 smallest producers. The Ford Motor Company has protested the quota allocations, which it asserts would confine its operations in the last half of this year to less than 10 percent of pre-war output.

Prices: After advancing to a new war-time high at the beginning of last week, the Dow-Jones futures index later declined appreciably, due largely to a drop in grain prices. Rye futures dropped sharply as margin requirements were doubled by the Chicago Board of Trade.

Cost of living: The BLS cost-of-living index in May rose 0.7 percent to a new war-time high, 29.8 percent above the June 1939 pre-war average. Food costs rose 1.6 percent to the highest level since mid-1943.

- 2 -

Industrial production declines

Due largely to curtailments in munitions industries, aggregate industrial output showed a further decline in May and the FRB adjusted index of production for the month dropped to 227 from 231 in April. The index now stands 20 points (about 8 percent) below the war-time high attained in the fall of 1943. (See Chart 1.)

Reflecting slackening activity in the shipbuilding and aircraft industries, the important transportation equipment component of the index continued to decline in May, and dropped 4 percent below the April level. Likewise the machinery industries showed a further noticeable reduction. Nondurable goods output, however, was unchanged after allowance for seasonal factors. Minerals output in May was only moderately lower, despite a sharp drop in anthracite coal output caused by work stoppages prior to the conclusion of a new wage agreement. On the other hand, crude petroleum output during the month rose to a new record high.

Factory employment continues to decline

Factory employment in May showed a further drop of 236,000, with 80 percent of the decline occurring in the munitions industries. The largest decrease was in the transportation equipment industry, which employed less than 1,600,000 workers in May as compared with more than 2,600,000 at the war-time peak in November 1943. Although cutbacks in aircraft and tank production have been contributing factors, two-thirds of the decline from the 1943 peak has been accounted for by the shipbuilding industry. Outside the munitions industries, only the textile and apparel industry groups showed declines of more than 10,000 workers in May, and even these decreases to a large extent were seasonal.

Labor troubles in the anthracite coal industry cut mining employment last month, while civilian government employment showed no change. However, gains occurred in all other major groups such as trade, transportation, etc., partially offsetting the drop in factory and mining employment. Nevertheless, total nonagricultural employment was 150,000 less than in April, and more than 1 million less than in May 1944. (See Chart 2.) It should be noted, however, that since May 1944 the armed forces have shown a net increase of nearly 1 million.

- 3 -

Labor restiveness again in evidence

Labor restiveness has increased recently, with the number of strikes doubling since V-E Day, according to the Department of Labor. Many of the strikes have developed over relatively trivial issues. Although labor disputes have occurred over a wide area, Detroit has been one of the industrial centers most seriously affected. Numerous jurisdictional disputes have developed in that city causing work stoppages at Ford, Chrysler and Packard plants among others, and concern has been expressed over the resulting threat to the reconversion activities of the automobile industry.

In addition to the loss in employment due to strikes, cutbacks in war contracts are expected to increase idleness at Detroit in coming months. During the past week the WMC director at Detroit predicted that unemployment in the area would be at least 80,000 by September 1, as compared with 30,000 on June 1. However, a leading CIO official promptly challenged the estimate and predicted that 140,000 would be idle in the area by September 1 if current trends continue.

Steel operations recover

Unauthorized work stoppages have also been in evidence in the steel industry recently and have been a factor in the decline in steel operations in recent weeks. Output at the beginning of last week was scheduled at only 88.8 percent of capacity, which is the lowest level touched since early last February when severe weather conditions curtailed output. Scheduled operations during the current week, however, have recovered to 91.5 percent of capacity, due primarily to settlement of labor disputes. (See Chart 1.)

Despite cutbacks in war contracts, the WMC director at Pittsburgh recently reported a shortage of 8,000 workers in the area, with three-fourths of this number being needed in the basic steel industry. Pig iron production is said particularly to have suffered from a lack of manpower. It is reported, for example, that one of the blast furnaces of the Carnegie-Illinois Steel Corporation which was ready to resume operations last April actually was not able to get back in production until June 8 due to a lack of workers. In addition to the manpower shortage, the advent of hot weather has contributed

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to the slackening in steel operations. Moreover, according to the American Metal Market, there has been a tendency to reduce overtime operations in order to reduce costs, as steel producers contend that ceiling prices on steel are still too low in relation to operating costs.

Steel scrap prices strengthen

After declining moderately for about 2 weeks after V-E Day, steel scrap prices later steadied, and during the past week slightly rising tendencies were noted. As a result the Iron Age scrap composite rose 8 cents to \$19 per gross ton, thus scoring the first advance since V-E Day. Meanwhile, the volume of new rated orders for steel is reported to have increased somewhat, and considerable uncertainty continues to exist over the amount of steel which will be available for civilian production in the third quarter.

Automobile production quotas announced

The availability of steel supplies has been the principal determining factor in the formulation of reconversion plans for the automobile industry. Last week the WPB announced that authorized passenger car production would total 241,916 cars in the last half of 1945 and 449,102 cars in the first quarter of 1946. Production quotas were assigned to the various passenger car producers, which for the last half of 1945 range from 95,096 for General Motors to 8,000 for each of the 6 smallest producers.

While production quotas for the biggest producers were determined largely by the rate of manufacture at the time manufacturing was discontinued in 1942, it was decided that a production quota of less than 8,000 cars in the last half of 1945 would not be feasible for any one company. Consequently, the smaller producers in the initial stages of reconversion will have a larger share of the total market than previously. As might be expected, the larger producers are reported to be dissatisfied with the quotas, and the Ford Motor Company has registered a protest with the WPB. The Ford Company asserts that under the quotas announced its dealers in the last half of this year will receive only 4 cars per dealer, whereas dealers representing some of the smaller producers will receive many times that number. Similarly

- 5 -

it is contended that Ford will be operating at less than 10 percent of pre-war output, while one smaller producer will be operating at nearly 100 percent, and another at 15 times pre-war output.

Railroads confronted by heavy traffic burden

The end of the war in Europe has failed to ease the heavy war-time traffic demands on the railroads. On the contrary, the railroads in the western part of the country are now confronted with the heaviest demands of the entire war. During the past week the director of the ODT indicated that embargo restrictions may have to be imposed on certain types of civilian freight shipments when the peak military shipments to the West Coast occur.

Indicative of the sustained high level of railroad traffic, the first 87 Class I railroads to report for May showed a rise of about 1 percent in the operating revenues over year-earlier levels. Furthermore, freight carloadings in the first half of June were slightly above the corresponding period last year.

The prospect of a further extension of the war-time upsurge in railroad traffic undoubtedly has been a factor in the recent strength in railroad securities, with second-grade railroad bonds now standing close to the highest levels on record and railroad stocks only moderately below their 1937 peak. Net railway operating income, (earnings after taxes but before fixed charges) after running behind the previous year's levels throughout most of last year and the first 2 months of 1945, has since moved above year-earlier levels. However, the gain in April, the latest month for which figures are available, was only 2.5 percent. (See Chart 4.)

Commodity prices weaken

Led by a sharp break in rye futures, the futures markets lost part of their recent gains last week after reaching a new war-time high on Monday. (See Chart 5.) The selling movement chiefly affected the grain markets, and wheat futures lost 5 cents for the week. Cotton held about unchanged.

Rye futures declined 3 to 5 cents a bushel on Wednesday as margin requirements for rye were doubled by the Chicago Board of Trade, apparently with the object of discouraging speculative activity. An extensive

- 6 -

speculative interest appears to have developed in the rye market in recent months of rapidly rising prices. The volume of trading in this minor commodity has recently been nearly double that in wheat, and the open interest in rye futures last week exceeded that in wheat. With no price ceiling, rye prices have risen far above parity to the highest levels in 20 years.

The BLS all-commodity index in the week ended June 16 remained unchanged at the previous week's level, and was 2.2 percent higher than in mid-June last year.

Higher food prices raise cost-of-living index

The BLS cost-of-living index rose 0.7 percent in May to a new war-time high, 29.8 percent above the June 1939 pre-war average, as food costs rose 1.6 percent to the highest level since mid-1943. Increased retail prices for potatoes, apples, onions, carrots, and spinach were chiefly responsible for the rise in food costs. The index of clothing prices continued its steady upward trend, rising 0.3 percent for the month, while costs of other component items held practically unchanged. (See Chart 6.)

Some relief seen in fats and oils supplies

The tight situation in fats and oils, which led to cuts in allocations and increases in ration points in May, shows some possibility of partial relief by the beginning of next year as a result of recent developments, although the outlook is not yet clear.

It now appears more hopeful that copra supplies in quantity will be obtained from the Philippines this year, according to the Bureau of Foreign and Domestic Commerce, which will increase our supplies of coconut oil. Estimates of imports this year, according to the Bureau, range from a conservative figure of 30,000 tons to an optimistic figure of 100,000. Because of the destruction of crushing mills, there is expected to be no imports of coconut oil from the Philippines. The handling of copra procurement will be under direction of the newly-formed Copra Export Management Company, a private corporation which will be financed with Government funds.

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- 7 -

Under an agreement concluded last month between Argentina and the United States Commercial Company, an increased supply of linseed oil and certain edible oils and other products is expected to be made available to the United Nations, chiefly for relief and rehabilitation purposes in Europe, in exchange for shipments of fuel oil to Argentina. Previously the shortage of fuel oil in that country had necessitated the burning of vegetable oils, which have smaller heat values. Under this agreement, the USCC will purchase Argentina's entire 1945 and 1946 surpluses of the specified products, to be exchanged for fuel oil according to their relative fuel values.

No improvement in the lard situation is immediately in sight, although the abnormally slow beginning of the expected seasonal increase in hog slaughter apparently indicates that farmers are holding their hogs off the market for heavier feeding, which would mean an increase in lard yield. The 1945 spring pig crop, as estimated last week by the Department of Agriculture, totalled about 51.7 millions as compared with 55.4 millions last year and with the announced goal of 55.0 millions. However, the fall crop is expected to show an increase of about 4.0 millions over last year, based on farmers' reported intentions, making the total crop about equal to the 1944 figure.

F.R.B. INDEX OF INDUSTRIAL PRODUCTION, REVISED 1935-39=100, Seasonally Adjusted

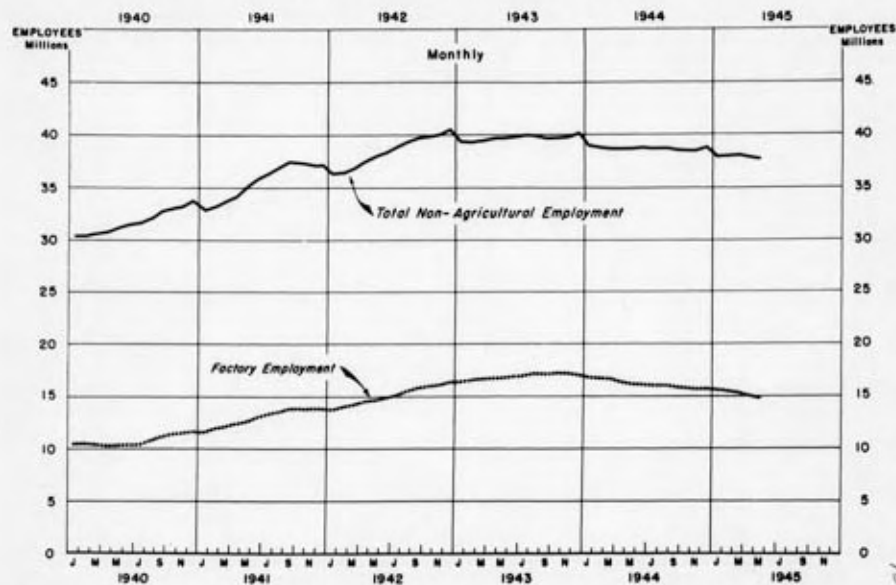


Office of the Secretary of the Treasury
Bureau of Research and Statistics

C-349-D

Chart 1

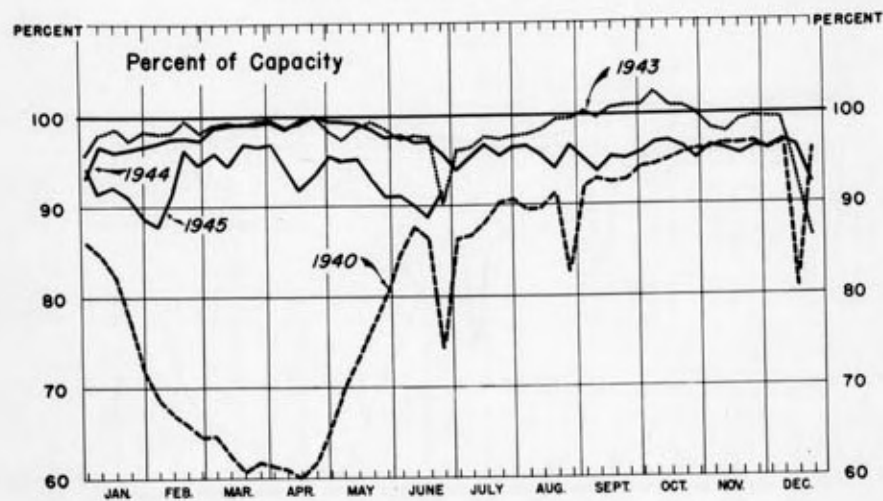
NON-AGRICULTURAL EMPLOYMENT

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

100

C=0.5

STEEL INGOT PRODUCTION



Source: American Iron and Steel Institute

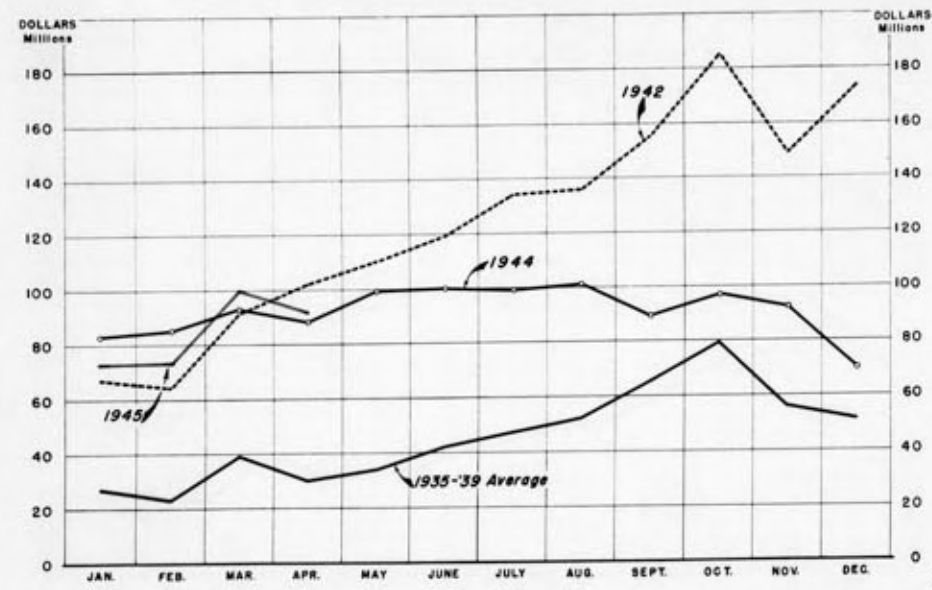
Office of the Secretary of the Treasury
Division of Research and Statistics

C-532-A

Chart 3
061

RAILROAD EARNINGS

Net Railway Operating Income*, Class I Railroads



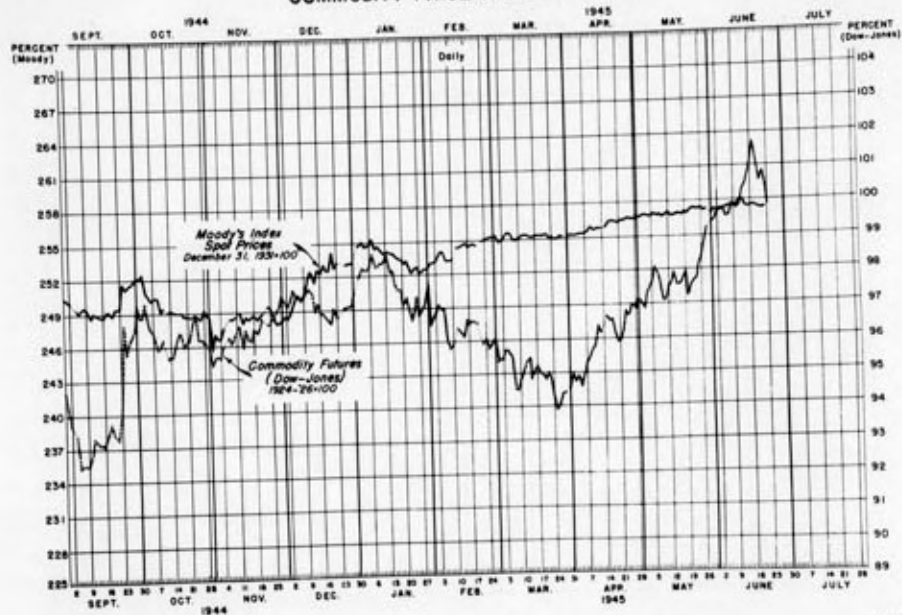
Office of the Secretary of the Treasury
Bureau of Economic Warfare

*Earnings after taxes, but before interest and other fixed charges.

C-483-B

Chart 4
1941

COMMODITY PRICE INDEXES IN U.S.



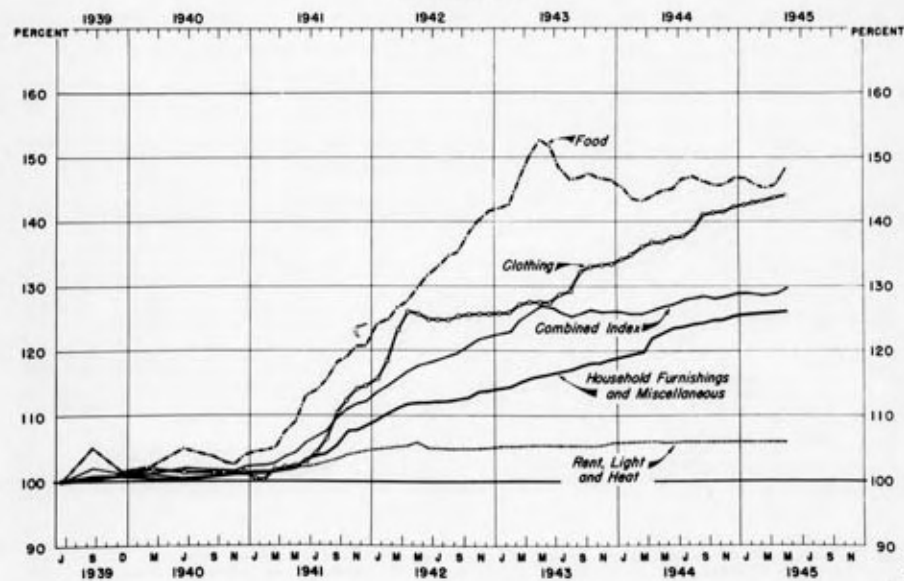
Office of the Secretary of the Treasury
Bureau of Economic Warfare

P-148-B

1945
131

COST OF LIVING AND SELECTED ITEMS

June 1939=100

Office of the Secretary of the Treasury
Bureau of Economic and Statistics

Source: B. L. S.

C-413-C

Chart 6
193

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

DIVISION OF ¹⁹⁴
CENTRAL SERVICES
TELEGRAPH SECTION

RS-136
Distribution of true
reading only by special
arrangement. (SECRET W)

Lisbon

Dated June 25, 1945

Rec'd 7:35 p.m.

Secretary of State

Washington

1368, June 25, 6 p.m.

JDC 447 FOR SCHWARTZ FROM BIELE

Salazar personally approved admission 500 refugee
children ex-concentration camps American Brit zones
selected nonsectarian basis with understanding Joint
will guarantee maintenance and ultimate emigration.
Jewish agency will reserve 300 certificates. Advise
when you wish matter pursued further.

BARUCH

MRH

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

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

DIVISION OF ¹⁹⁵
CENTRAL SERVICES
TELEGRAPH SECTION

RECEIVED
DIVISION OF
CENTRAL SERVICES

PEW-95

1945 JUN 25 AM 9 12

PLAIN

London

Dated June 25, 1945

Rec'd 4 p.m.

DC/L
LIAISON

Secretary of State,
Washington.

6397, Twenty-fifth

FOR DEPT WRB AND EARL HARRISON

Sir Herbert Emerson, director Intergovernmental
Committee. Refugees, circulated memorandum to members
executive committee June 21 recommending that travel
facilities for members of staff IGC be extended by
member GOVTS in line with precedent and model provided
by UNRRA council at its first Atlantic City meeting.
Memorandum contains following resolutions which will
be presented next meeting executive committee IGC which
will probably be held before middle July "(1) that the
director be authorized to issue to officials and employees
of the Intergovernmental Committee on Refugees for use
when travelling on official business a document identi-
fying the official or employee and requesting in the
name of the International Committee on refugees that all
appropriate facilities be granted to the bearer" "(2)
That all member governments give full recognition to such
documents

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-2- #6397, Twenty-fifth, from London.

documents and instruct their diplomatic consular customs and excise services and any other services which may be concerned to recognise such documents as entitling the bearer to all appropriate facilities" "(3) That in respect to passports and visas the member GOVTS shall accord to the officials and employees of the IGC the same treatment as is accorded to the officials and employees of comparable rank of their own or other GOVTS" "(4) That all member GOVTS take the necessary steps to grant all appropriate and possible priorities for the travel of the officials of the IGC on official business and where appropriate to allow GOVT rebates for such travel" "(5) That the member GOVTS make any necessary arrangements with the director for the application of the foregoing recommendations". Department's instructions respecting foregoing resolutions requested urgently.

WINANT

WTD

DEPARTMENT
OF
STATE

CC-185

INCOMING
TELEGRAM

DIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

PLAIN
Lisbon

Dated June 25, 1945

Rec'd 9:45 p.m.

Secretary of State,
Washington.

1363, Twenty-fifth

WRB 423. FOR HIAS, 425 LAFAYETTE STREET, NEW YORK
FROM DAVID SCHWEITZER HICEM.

Received dated fifteenth and seventeenth two following cables from Birman. First one, inform Doctor Nahum Goldmann Warhaftig Szczupakiewicz "our sixty friends extremely needy asking help. Kalmanowicz Pat families receiving regular support except Uslwry Graudens Dobekirer Ilutowicz". Second one, Tiffenbrunn asks brother how Beeri Chavazclth Hashoron Nathania. Cable immediately whereabouts family Poland. Inform Doctor Nahum Goldmann 150 Haluzim and friends leader Doctor Parnas coming 1939/40 from central Europe asking relief. Inform Lider Landsmannschaft Michel Ivensky Bertl Dworetzky "Lider friends here needy asking help. Signed Rabbi Cyprustejn Budin Czertok". Dobekirer asks Kantorowicz Burnstein Poakizion private relief. Leoh Ilutowicz needy asking Jacob Apenshjak influence Bernard Elslitov relief.

RB Please keep us informed. BARUCH

RECEIVED
DIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION
JUN 25 AM 8 19
DO/L
LIAISON

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CORRECTION

June 25, 1945

MS-1286
Distribution of true
reading only by special
arrangement. (SECRET W)

In cable from Bern 3287, June 22, 2 p.m. for WRB
change serial number to 3286.

DIVISION OF CENTRAL SERVICES

CSB

June 26, 1945. 199
10:45 A.M.

Dr. B. W.
Leonard:

....tell him about the arrangements about getting down and getting back. He said he would sort of like to fly if he could. He could leave La Guardia about five thirty and be here about 7:30.

HMJr: I see. On Thursday.

L: On Thursday.

HMJr: I see. 5:30.

L: He asked me to ask you to call him and make the arrangements about the definite time of his coming.

HMJr: I'll do that.

L: Directly.

HMJr: I'll do that.

L: All right.

HMJr: I'll do that.

L: Things are going along all right. She had a good night and she checked all right this morning.

HMJr: Well, what are we going to do from now until Thursday to keep her quiet?

L: Keep her quiet?

HMJr: Yeah.

L: Well, we'll use the mild sedatives we have there - the medinol at night.

HMJr: Yeah.

L: And I told her this morning in not too direct a way that this thing meant more bed rest.

HMJr: Well, we....

L: I think she will take it all right.

HMJr: All right, doctor.

L: She is insisting on your going up to the farm this weekend. Well, now, frankly if she is doing all right, I think it wouldn't be a bad idea if you did it.

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L: (cont.) I certainly wouldn't....

HMJr: Yeah, well, Doctor, I'm not going to go up to the farm while things are the way they are. I mean I just couldn't rest up there.

L: I see.

HMJr: So...

L: Well, that's between the two of you.

HMJr: Yeah, but she told me last night that you thought I ought to go, see. But I would be very unhappy up there this weekend until I see better what is going to happen.

L: All right, if you will be unhappy, you had better stay here.

HMJr: I think so.

L: All right, I'll see you later.

HMJr: Thank you.

L: Bye.

June 26, 1945
12:10 P. M.

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Operator: Dr. Levy.
HMJr: Hello.
Dr. Robert Levy: Hello, Henry. I'm sorry to hear about Elinor.
HMJr: Yeah, it is a shame, isn't it?
L: It certainly. It looks as though she might inherit a mild extension. I would like very much to defer this until Thursday for two reasons - first of all, because I think at the end of that time, or at least before then you could get another cardiogram...
HMJr: Yes.
L: ...and possibly another count. We'll get more ideas as to just what the extent of this thing is.
HMJr: Right.
L: Certainly it would be easier for me.
HMJr: Well, I don't see....
L: Apparently her condition is good and there is no urgency about it.
HMJr: No urgency.
L: Well, I could -- I think probably the simplest thing would be to go down on the Congressional Thursday and come back on the night train.
HMJr: Well, I can do that, or I can try to get you a seat - there is a plane leaving at 5 o'clock on Eastern Airlines.
L: On which?
HMJr: Five o'clock on the Eastern Airlines. There is a plane around five o'clock.
L: Yes, it gets in about 6:20?
HMJr: Yeah, you don't save an awful lot because very often these planes don't leave on time - they are sometimes a half an hour to an hour late in leaving.
L: Well, then, why don't I just take the Congressional?

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HMJr: I personally, if I was coming down, I would take the Congressional.
L: I'll do it.
HMJr: I will get you a seat on the Congressional. When would you want to go back?
L: Well, I think probably the best thing is to go back on the night train, if I can get a bedroom.
HMJr: I can get you a bedroom, or...
L: You see you can get on that train by ten o'clock.
HMJr: Or if you want to fly back after supper. Let me work on it, say I?
L: Well, I'll plan to come down on the Congressional, and I'll have my dinner on the train and then I can meet Leonard there, say by half past eight - if the train is on time.
HMJr: I'll have a car and the chauffeur will have a handkerchief tied around his left arm, see? Hello?
L: Is he that colored fellow?
HMJr: Yeah.
L: I think I would know him.
HMJr: Well, he will be down there to meet you.
L: At the gate.
HMJr: At the gate. I'll buy the ticket and have it delivered at your office - the railroad ticket.
L: Yeah. I think it is just as easy to come back on the night train. I mean that will save the element of uncertainty of flight.
HMJr: I'll get you a bedroom going back.
L: That will be fine.
HMJr: And I'll have the tickets delivered to your office.
L: All right.
HMJr: Well look forward to seeing you.
L: Thank you. Bye.

June 26, 1945 203
2:24 P. M.

HMJr: Hello.

Mr. David Miles: Hello, Mr. Secretary.

HMJr: Hello, David.

M: How are you today?

HMJr: Oh, O. K.

M: How is Mrs. Morgenthau these days?

HMJr: Just fair.

M: Mr. Secretary, I hate to bother you with this thing, but I've got Philadelphia bond trouble.

HMJr: Philadelphia what?

M: Bond trouble.

HMJr: Bond?

M: Yeah.

HMJr: Bond, why?

M: Tomorrow night there is supposed to be a concert given by the Philadelphia Symphony Orchestra for a Bond Drive.

HMJr: Yeah.

M: The Union cleared it, and it was advertised and they've sold two million dollars worth of bonds.

HMJr: Yeah.

M: Now, somebody came in from Philadelphia today to see me and tell me that your man Seaton up there insulted somebody or other, and so the Philadelphia Symphony crowd aren't going to play.

HMJr: Oh, for heaven's sake.

M: And they are going to substitute a jazz band, and this man is all upset - the Union is all upset. They think they are going to get a black eye.

HMJr: Well, let me -- look...

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M: It isn't anything that....

HMJr: Look, we've got a very good man that handles all of this stuff for us. You know Lawrence Hougheling.

M: Yeah.

HMJr: Well, that is his job over at War Bonds.

M: Well, I'll talk to him.

HMJr: To keep the Union happy.

M: (Laughs)

HMJr: Hello?

M: Yeah.

HMJr: And he has done a swell job on it.

M: That's right.

HMJr: Why don't you call up Lawrence Houghteling. You know him, don't you?

M: Yeah.

HMJr: And tell him what it is all about.

M: Right. I will.

HMJr: And if you don't get satisfaction, let me know.

M: Righto. Well, I think everybody wants - they think this fellow has gotten a little bit tempermental, he is probably worn out.

HMJr: Well, you call up Lawrence, and if you don't get satisfaction, call me back.

M: You bet.

HMJr: Thank you.

M: Righto. Thanks

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June 26, 1945
3:00 p.m.

INTERNAL REVENUE

Present: Mr. D. W. Bell
Mr. C. S. Bell
Mr. Fehle
Mr. Gaston
Mr. Haas
Mr. Irey
Mr. Woolf
Mr. Wenchel
Mr. Atkeson
Mr. Oliphant
Mr. Tickton
Mr. O'Connell
Mr. Sherwood
Mr. Nunan

H.M.JR: All right. Who said Internal Revenue is short of manpower, huh? (Laughter) I said, who said Internal Revenue is short of manpower?

MR. NUNAN: You can start to recruit here.

H.M.JR: Look, Commissioner, I have a little agenda here. The first thing is the question of statistics, huh?

MR. NUNAN: Yes, sir.

H.M.JR: Will you tell me where we stand, please?

MR. NUNAN: After I left last week, I talked to Mr. Atkeson, whom we proposed to appoint as head of statistics. I asked Mr. Atkeson to come over here this afternoon to tell you what he has talked over with Mr. Haas, and just what the situation is, Mr. Atkeson.

MR. ATKESON: Mr. Secretary, Mr. Haas prepared an outline of the type of statistics that he thought was along the line you were interested in.

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H.M.JR: Yes.

MR. ATKESON: And I have had two or three conferences with Mr. Haas and Mr. Tickton, and as I reported to you yesterday, we have made what we think is considerable headway in the matter of developing schedules necessary to carry that out. Now, we are not too positive, of course, as to just how far we should go. The big thing is to tie in as closely as possible to the present operating methods from the standpoint of gathering statistics, in order that we might be fortified with a lot of background material that we have today, which we think you would be interested in. So, I think it's a question, if you let me suggest, of leaving the thing with us for a few more days so that we can, with Mr. Nunan and Mr. Haas, come to some final agreement as to what additional data may be needed to meet the program, and I personally feel, and I think Mr. Haas does too, that we have a fairly good understanding of your objectives and we're doing everything we can to develop the program to meet that.

MR. NUNAN: Mr. Secretary, before Mr. Atkeson finishes may I say I understood from Mr. Atkeson last week it will be a rather simple procedure if we can submit to you once a month the additional taxes that are being collected as a result of this drive. However, if we're going to have to break them down to say that a thousand dollars came from the food industry, or two thousand dollars came from some other industry, that that's going to be a little more difficult and complicated and a little more burdensome to the Collectors, officers, and Internal Revenue service. If it's satisfactory to you that you know the difference or the results of this drive in dollars and cents rather than where it's coming from, that's going to be more simple procedure. Is that right, Mr. Atkeson?

MR. ATKESON: Yes, the business classification, as to it, that is, the business in which the income taxpayer is engaged, does complicate the thing very materially, but we have been trying to simplify that, but under the present, that is, at the moment, there has been no agreement other than the business classification

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has been originally suggested, and if you could waive that, and I might say this, the point at issue is this: In the case of the income tax returns audited in the Revenue Agents' offices, which from a money standpoint constitute probably three-fourths of the money, we can get the business classification very easily, but in the case of the income tax returns audited by the Collectors, it would be a rather difficult proposition. That represents only about five percent of the money, but as Mr. Haas points out, the large number of retail food stores, for example, will be found among the returns audited by the Collectors, and the picture from a purely statistical standpoint might not be so good. So, it's really a question of how badly you think you would need this picture by industrial or business classification.

H.M.JR: Well, in the first instance, let me get the figures, and then if subsequently I want it broken down into various classifications of industry, I'll ask for it. Let's get the thing started.

MR. NUNAN: Fine.

H.M.JR: And get the gross figures, and then if somebody wants to know how much is alcohol and how much is food, we'll talk about that later.

MR. NUNAN: That will be a great help to us if you break it down that way. We'll start immediately.

H.M.JR: I like to be helpful.

MR. NUNAN: All right.

H.M.JR: Now I take it, Commissioner, you are--

MR. NUNAN: Mr. Atkeson is going to head that department. He's going to take charge of that.

H.M.JR: Wonderful.

MR. NUNAN: In talking to him the other day, he said if we have to break it down that the work involved

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might prevent him from doing it, but as long as you have asked for what you have, Mr. Atkeson can take charge.

H.M.JR: Plus the things I asked for yesterday?

MR. ATKESON: Yes, sir. We are working, Mr. Secretary, with Mr. Haas on the progress reports. You asked yesterday in connection with the progress reports in order that you might be able to tell the backlog in any Agent's office.

H.M.JR: Yes.

MR. ATKESON: Well, we have pretty good figures today on that, even though we don't have it on the four-week basis you indicated. We have it on a quarterly basis, but we could come around to the four-week basis without too much difficulty there, I think. I asked you a minute ago to give us just a few more days to develop those schedules.

H.M.JR: That few more days sounds very reasonable.

While I'm here, I've got this memorandum from Charles Bell, signed by the Commissioner and Mr. O'Connell, which I have okayed. (Indicates attachment A.) The only thing I haven't okayed, Charlie, is the memorandum from me to you, one page, and before I do that--I'll do it, but I do want both Mr. O'Connell's and Mr. Nunan's initials on it. (Indicates attachment B.)

MR. C.S. BELL: Yes, sir, I cleared the memorandum.

H.M.JR: But there's no indication that they have initialed it. Now, if they will initial this top memorandum. I did add a word there. I put in "O'Connell", but if O'Connell and Nunan will sign that top page, it's all right with me.

MR. C.S. BELL: All right, sir.

H.M.JR: It sounded very good. Now the other thing

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we have to discuss, one other thing, and then we get into very rarified atmosphere--politics, and I don't want to contaminate some of you people.

MR. NUNAN: Do you mean you want me to leave?
(Laughter)

MR. D.W.BELL: That was quick.

H.M.JR: That was very quick. I read in the New York Tribune of a plan to look for unreported dollars among-- I don't know what it was--receivers of tips, and waiters. Fifty agents have been put to work entirely on black-market incomes. (Quotes from article in the New York Herald Tribune, June 21, 1945, Attachment C.) "A drive concentrated on those service trade workers--waiters, taxi drivers, barbers, manicurists and beauticians--whose tip incomes have doubled and tripled during a war boom was reported in Newark by Robert Smith, chief field deputy for the Fifth New Jersey District. Such tip-receivers, and so forth-- I think you'll agree with me, Commissioner, that before we go after these babies, we better go after some of the fellows from one hundred thousand dollars up.

MR. NUNAN: Smith is in the Collector's Office and probably he got some of the Deputy Collectors, who are not in the high class Revenue Agents, to make a drive on this, but that can be stopped. That was done on his own.

MR. O'CONNELL: I'd like to raise a question there. It seems to me that there's a place--it may be a matter only of emphasis, but we've got thousands of Deputy Collectors and other people not properly equipped to handle complicated tax cases involving one hundred thousand dollars of income, but they have work to do. Their job is a matter of routine checking of all the lower grade income people, and I don't think we ought to reverse the emphasis to stopping the doing of that kind of work.

H.M.JR: I don't want to read about it in the papers. I can't tell--

MR. NUNAN: I think that's right.

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MR. GASTON: I think it's a good idea that you should read about it in the papers. I think it's a good idea that some of the people who have quite considerable income from that source should get the idea we are looking for that, too.

H.M.JR: I respectfully differ with you.

MR. GASTON: I add my respects, and we'll continue to differ.

MR. D.W. BELL: They are even after taxi drivers, too.

H.M.JR: Excuse me, that's where OPA fell down on their nose and haven't got over it yet.

MR. O'CONNELL: May I add one thing?

H.M.JR: Sure.

MR. O'CONNELL: I don't know whether it adds anything, but it may be a matter of emphasis. It seems to me we should at some point stop thinking of this drive as an interim drive on black market operations and people having one hundred thousand dollars of income. As long as we have high tax rates and high incomes, the enforcement problem in the Bureau with respect to all taxes is going to be greater than we ever had before, and it seems we should not discontinue--although, admittedly, as a matter of emphasis, I don't want to see a lot of publicity on small profit.--I don't want to keep the Revenue service from attacking problems on all fronts.

H.M.JR: Certainly, if Mr. Nunan has people that can do that kind of thing, and have the time, all right, but I want the emphasis placed on the big fellow, and when I pick up newspapers, with all due respect to Mr. Gaston, I want to read about the big fellows. Now, I inherited from my predecessor in this office, and the Attorney General, the bootleg thing, and they batted their heads against the wall all through the bootleg era, going after little fellows, and all they got was a lot of agents shot in woods, and they got somebody with a five

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or ten gallon still, and fellows living in the Waldorf-Astoria got away with murder. So, I'd like to see-- I want everybody to do everything they can. I agree with Mr. O'Connell, there's a three hundred sixty-five day job for a good many years to come, but as far as the newspapers are concerned, I would like to continue to stress the big shots. Are we all right?

MR. O'CONNELL: I just don't want to have these people all stop work.

MR. NUNAN: Of course, Mr. Secretary, on that I had one or two letters from some Collectors asking about publicity, and I wrote back and said that the drive was emanating from the Treasury and any publicity that should be given to it should come from here. How this statement went out I don't know.

H.M.JR: I'm glad you raised that. I'd like you to try possibly raising the ban on that. If we could pick one good man in the important places, each place, New York, Chicago, somebody that has some judgment, who could assist the Collector at New York or the Collector at Chicago, so that we get good publicity. I think we have got to let these fellows talk.

MR. PEHLE: I noticed in one letter that came in there's no local publicity, and the cause for that is there are no local people giving it out.

H.M.JR: Joe, can you arrange this week end a little meeting that Fussell could sit down with the Commissioner with the idea of possibly either designating somebody in each of these more important offices, and then maybe of a little work sheet to guide them-- what we would like, you see, what they would like to follow-- Feltus is very much interested in this too.

MR. O'CONNELL: Looking ahead a little, the best publicity we can hope to get, and that should be almost entirely local, would be the good effects that come out of reports of indictments and convictions.

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H.M.JR: Well, of course, you and I don't agree on that. I think we have to talk first, because by the time it gets around to indictments, it's only the United States Attorney and the Department of Justice, and they forget we exist.

MR. O'CONNELL: I know, but at some point--

H.M.JR: But if the Commissioner agrees, I'd like you to have a little meeting with him, with Feltus and Fussell, and start right. I don't care where, New York or Chicago, and pick a good man and let him be there, one who knows public relations, and advise with the Collectors and do it gradually, work it up. How about that, Nunan?

MR. NUNAN: If you want it, it's all right. I would rather have it come from here, the way you have been giving it, because you're going to get more you're going to be surprised to read, I don't care who the man you put in.

H.M.JR: Will you think it over? I'm not pushing. I don't want them to feel they couldn't talk. You think it's better to come here?

MR. NUNAN: Yes, then you can control it.

H.M.JR: Suppose you have a little talk and come back and see me again.

MR. O'CONNELL: Good.

H.M.JR: Anything before we go into rarified atmosphere?

MR. O'CONNELL: On the statistical thing, I should have raised it before, it's a minor point and relates to statistics generally in connection with revenue statistics and Atkeson's position. Blough is generally responsible for, and has a great interest in, the type of statistics on income that come out of the Bureau.

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I don't know how close he has been to this operation; I gather not very close. I want to be sure no changes made in the Bureau's collection of statistics would cut across anything he has interest in. He has no interest in progress statistics, but you know his field. In addition, Roy is very anxious, and rightly so, that he not be deprived immediately of the assistance Mr. Atkeson has been giving him and other people on the Hill on the Tax Bill. That's most urgent in the next two or three weeks.

MR. NUNAN: Mr. Atkeson said he could handle this if it wasn't a breakdown and still do this.

H.M.JR: Was he on the Tax Bill? I thought it was getting your appropriation.

MR. O'CONNELL: Oh, no, the Tax Bill.

MR. NUNAN: As a matter of fact, he's our general utility man and does a good job any place.

MR. ATKESON: We service the Division of Tax Research in Mr. Blough's office in respect to all financial data he needs from tax returns in connection with formulating the tax program.

H.M.JR: What did we get out of the House Appropriations Committee?

MR. C.S. BELL: Sixteen million three hundred thousand, with a blank check for next year.

H.M.JR: Isn't that what I asked for?

MR. KLOTZ: You got everything you asked for. Did you see Kluttz this morning?

H.M.JR: Yes. I smelt Charlie Bell. It smelt good.

MR. D.W. BELL: Did they put the blank check in the report.

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MR. C.S. BELL: It's in there enough for the Bureau of the Budget to identify it. (Laughter)

H.M.JR: All right. Well, now, I want Mr. Gaston, Pehle, O'Connell, Commissioner, if you are interested. Dan you can stay.

MR. D.W. BELL: All right. I don't know what it's about, but I'll stay.

Attachment A.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 23, 1945

TO Secretary Morgenthau
FROM Charles S. Bell *CSB*

Subject: Current Plans for
Internal Revenue Expansion

In addition to the steps already taken and reported to you in earlier memoranda, Commissioner Nunan, Mr. O'Connell and I have agreed to the following procedures for expediting the development of a top notch law enforcement organization in the Bureau of Internal Revenue.

PERSONNEL PLACEMENT

Instructions have been issued to Collectors to release five men each to the Special Agents, Intelligence Unit, in their respective districts in order to form a nucleus of trained personnel for the expanding investigative service. These instructions will be supplemented by directions to release an additional number of experienced deputy collectors who are acceptable to the Intelligence Unit and deserving of promotion.

Similar instructions will be issued to Supervising Agents in Charge, Alcohol Tax Unit. Further, experienced Revenue Agents who have shown special interest and aptitude for investigative work shall be transferred if mutually agreeable to the Revenue Agent in Charge and the Special Agent, and approved by the Bureau.

The transfer of these men, with the exception of Revenue Agents, shall be made without prior approval from Washington, and the Collectors shall be automatically authorized to promote

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from within to fill vacancies thus created and to recruit locally to fill zone deputy collector positions at the entrance level.

In making these transfers the transferred employee shall, if otherwise entitled to the privilege, be transferred with reemployment rights on the Collector's Office.

Concurrently with the recruitment of new personnel, qualified Revenue Agents and Special Agents shall be promoted in accordance with the Bureau's promotion from within policy.

The previously established ratios for stenographic and clerical employees shall be controlling at this time and all offices are to be instructed to recruit accordingly.

SUPERVISION

In connection with the enlargement of existing and the establishment of additional field offices, supervisors will have to be developed and assigned to construct these offices. Sufficient intermediate supervisors must be developed rapidly in order to maintain an acceptable standard of production and at the same time provide adequate supervision and on-the-job training for the new recruits.

For the most part, the supervisors should be selected from existing personnel in the Special Agents' offices. Consideration should also be given to the best qualified employees transferred from the collectors' offices. Procedural instructions directing the special agents to carry out such plans will be prepared and released to the field.

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TRAINING

The training of new recruits and newly appointed supervisors shall be developed by Mr. Elmer Irey, with the concurrence of Commissioner Numan. The existing facilities of the Coordinator's Office and the Bureau of Internal Revenue shall be utilized for this program and it will be carried out in each of the Special Agents' districts. The training program already under way in New York City will serve as a pattern for the other Districts. In the event a given district has no personnel available or qualified to carry out the training program, arrangements will be made to provide training specialists from Washington or other Districts.

CHARACTER INVESTIGATIONS

Character investigations of all new recruits shall be the responsibility of Mr. Elmer Irey, and instructions will be issued to the District Coordinators immediately, outlining the new type of streamlined investigation that is to be made.

SPACE AND EQUIPMENT

With the exception of 25 cities to be covered by the Treasury Department's space control staff, authority to lease space and purchase equipment subject only to post approval by the Bureau shall be granted each Special Agent, Intelligence Unit, and each Revenue Agent in Charge, Income Tax Unit, as well as Collectors. This authority shall be conditioned by the prevailing ratios employed by the Bureau.

Procedural instructions implementing this authority will be prepared immediately. If possible, present recommendations of the Agents for the establishment of field offices in certain cities will be approved immediately to expedite the establishment of the offices.

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WORK LOAD PROGRAMMING

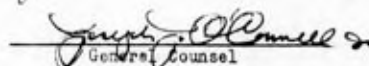
The Bureau will take immediate steps to survey present operating procedures with a view toward making such changes in organization and methods as may be necessary to channel and distribute the work of the Bureau in harmony with the expansion of respective offices. In this respect it is agreed that the tentative expansion quota set may be subject to change during the next few months.

INSTRUCTIONS AND DIRECTIVES

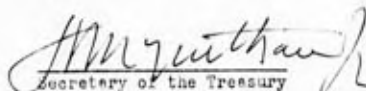
All policy directions regarding personnel, organization, space or equipment shall be promulgated over the signature of the Commissioner of Internal Revenue, with the advice and concurrence of the General Counsel and the Administrative Assistant to the Secretary.

Concurred in:


Commissioner of Internal Revenue


General Counsel

Approved:


Secretary of the Treasury

Attachment B. 7-121
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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 23, 1945

TO Mr. Charles S. Bell
FROM Secretary Morgenthau

During the next few months I think that you can be of special service to me and the Commissioner of Internal Revenue if you arrange to devote a large portion of your time to the administrative problems connected with the Revenue law enforcement expansion.

Specifically, I want you, with *Frank O'Connell and* Commissioner Nunen's concurrence, to advise and assist in putting into operation adequate procedures for recruiting, training, distributing, promoting, and transferring persons engaged to work on this drive. You should give the Commissioner every assistance possible on problems of space, office equipment, and related administrative services.

I want you, Mr. O'Connell and Commissioner Nunen to examine thoroughly the present organizational setup in the Bureau of Internal Revenue, including the possible need for top administrative personnel. The three of you should submit for my approval such plans for changes as you may agree are necessary to achieve maximum effectiveness in this campaign, and for the permanent improvement of the Bureau.

I am detaching Mr. Elmer Ireby from his other duties to assist, temporarily, you and the Commissioner in carrying forward this special program of work.

O.K. 10/11/45

Frank O'Connell
JCC

Attachment C

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NEW YORK
Herald Tribune
JUN 21 1945

Tax Men Look For Unreported Dollars Here

Federal Agents Expect to
Uncover Huge Sums in
Delinquent Income Levies

The full ingenuity of the Federal income tax agents and the scores of newcomers recently added to their staff has been turned into exploring sources of unreported tax dollars in the metropolitan area.

By delving into such matters as the cash purchases of fur coats and the gross volume of businesses in which lavish tipping has occurred during the war, they expect to turn up hundreds of thousands of dollars in delinquent income taxes.

In Brooklyn and Long Island, the 1st District Collector of Internal Revenue office is making a special scrutiny of check cashing concerns, to track down those persons who don't care to let their incomes appear in the form of bank deposits.

John E. Brady, assistant collector, said yesterday that "considerable delinquencies" had been developed by probing into real estate deals, where the purchase was made in cash, or into cash buying of such items of wearing apparel as fur coats.

An extensive drive against black-market incomes, under way for several months, was expected to produce "hundreds of thousands" of dollars' additional revenue in the 3d District, covering

Manhattan north of Twenty-third Street. James W. Johnson, collector, said both his field office and his headquarters office were being expanded.

Fifty agents have been put to work entirely on black-market incomes by the 3d District, in lower Manhattan, covering real estate and fur and jewelry transactions. It was this district, under Collector William J. Pedrick, which found the still unnamed restaurant owner who, according to Secretary of the Treasury Henry Morgenthau Jr., "overlooked" a \$2,300,000 income.

A drive concentrated on those service trade workers—waiters, taxi drivers, barbers, manicurists and beauticians—whose tip incomes have doubled and tripled during a war boom was reported in Newark by Robert Smith, chief field deputy for the Fifth New Jersey District.

Such tip-receivers were advised by Mr. Smith to prepare their income reports for the last two years for scrutiny by twenty-five special investigators who have previously been employed in these trades. "Practically every case we're bringing in now," Mr. Smith said, showed failure either to report tips as part of income or at best, only reported "a nominal amount."

Many delinquents, he said, were two-job workers, such as a night-time taxi driver who would work in a factory by day and report only the factory income. Mr. Smith said his agents would reckon up a "reasonable" income for any delinquent claiming to have kept no record of tips received. He declined to reveal any formula for this, but observed that the bureau realized "barbers in downtown shops" received "much better" tips than those in neighborhood places.

June 26, 1945
4:20 P. M.

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HMJr: Hello.

Mrs. George Mellen: Hello, Mr. Morgenthau.

HMJr: Speaking.

M: Mr. Morgenthau, Mrs. Mellen.

HMJr: Yes.

M: I have some people who would be interested in taking over the Cotuit House.

HMJr: Yes.

M: Unfortunately, they don't want to pay but \$1500, but we don't have many people coming along looking for large houses right now, and I thought I had better let you know about it. The demand for the large houses is almost evaporated. People make their plans ahead of time, you know.

HMJr: Ahuh.

M: And I'm sure it's a family that would be acceptable to Mrs. McLeod.

HMJr: From when to when?

M: What was that?

HMJr: They want it for the season?

M: Well, July 1st to September 15th. I mean you weren't planning to use it at all were you?

HMJr: Well, I didn't know whether I could maybe get up there for a couple of weeks in the Fall or not.

M: Well, I told them September 15th, and I looked up afterwards and found that your lease went to October 15.

HMJr: That's right.

M: And that would give you a month there.

HMJr: Yeah. They want it from when?

M: July 1st to September 15th.

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HMJr: Yeah. Is that the best you can do?

M: I might be able to get them up a little bit, but I don't know. The woman was down today and she made that offer. She was going back to talk to her husband and whether there enthusiasm will be increased or lessened I can't tell you.

HMJr: Have you had anybody else?

M: No, I haven't had anybody else. I tried, but as I say, people who want large places are apt to have their plans made before this.

HMJr: Yeah.

M: And I haven't been able to get anybody else at all interested.

HMJr: Well...

M: It is quite a drop but it is better than nothing.

HMJr: That's true. Well, see what you can do, Mrs. Mellen. I'll leave it in your hands.

M: All right, Mr. Morgenthau.

HMJr: I'll leave it in your hands, but I think that if they don't want it after the 15th of September..

M: No, that's -- I forgot that your - when I was talking with them the first time - that your lease went into October so I told them September 15th. So they wouldn't expect it after that.

HMJr: Now we want to make it perfectly clear that I will be in no way responsible while they are the tenants.

M: Oh, I know, they will understand that and, of course, they will take over all the utilities, and they will pay you all in one payment.

HMJr: They will.

M: Yeah. Well, I'm going to talk with them tomorrow and I'll see what - if I can get them up a little bit, I will.

HMJr: See what you can do.

M: I will.

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HMJR: Thank you.
M: But, as I say, it's too bad, but of course, people who are going to have a large place like that most of them made their plans by now.
HMJR: All right.
M: All right, thank you.
HMJR: Thank you.
M: Goodbye.

June 28, 1945
4:20 p.m.

BRETTON WOODS

Present: Mr. White
Mr. Luxford
Mr. Pehle
Mr. O'Connell
Mr. Feltus
Mr. Bernstein

H.M.JR: Hello.

Well, I got a very quick report from Joe O'Connell from the Hill.

MR. O'CONNELL: It was very quick because there wasn't much to tell you. Harry and I went down to see Senator Wagner and Tobey about the points you discussed this morning about the extension of the Stabilization Fund. Neither of them seemed to have very much interest in it and the only thing I got out of it was that they were quite hopeful that this was a pretty good chance of getting the bill passed by next week, and they didn't see any particular reason for attempting separate legislation for the Stabilization Fund, although I had difficulty knowing whether Wagner was focusing on it at all.

MR. WHITE: It was the first time I had seen Wagner so almost certain of the passage that there would be no trouble about it.

MR. O'CONNELL: That was the only encouraging thing about it.

MR. WHITE: But he left the thing a little in the air whether they would raise the thing Tuesday, because it was the day before the Fourth of July. Tobey thought they might preferably wait until the following Monday, and he did not say definitely, but the assumption was they were going to have it Tuesday, begin the discussions Tuesday.

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MR. O'CONNELL: I think if I can reach Barkley on the phone before the end of the day--they have been tied up on conferences on the OPA bill all day. It seems with Barkley we could have a little more hope of success in giving the thing a push, and this Fourth of July business is ridiculous. The fact that the majority of Congress won't be here the Fourth of July isn't any reason for not introducing the bill and starting discussions on the third.

MR. WHITE: One thing is Senator Wagner has an hour's speech, and I think he probably is going to be reluctant to talk to five Senators.

MR. O'CONNELL: He can talk on the third.

MR. LUXFORD: Everybody is going home and they want to be home on the Fourth of July.

MR. WHITE: However, that is uncertain.

H.M.JR: Is it a good speech, Bernstein?

MR. BERNSTEIN: It is a good, dull speech. It's what he wanted. (Laughter)

H.M.JR: Do you think it would do any good to call Tobey?

MR. WHITE: Not Tobey, Tobey is all right. I think Barkley is the man who--

H.M.JR: I was thinking if Wagner made a speech on the second, I might remind Tobey of the last Fourth of July oration he made at Bretton Woods.

MR. WHITE: Wagner reminded him of it.

H.M.JR: But there is no chance of getting Tobey to do it again?

MR. O'CONNELL: Tobey will make a speech all right.

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H.M.JR: He can't push Wagner into this?

MR. O'CONNELL: Tobey can.

MR. WHITE: It was Tobey who suggested not having it.

MR. O'CONNELL: That's the trouble, but Wagner didn't seem to pay much attention to that.

H.M.JR: Is there any use in my calling Biffle?

MR. O'CONNELL: No.

H.M.JR: Why not?

MR. O'CONNELL: The one person to call, and Harry and I agreed I would do it when I could reach him, was Barkley.

H.M.JR: I don't mean on stabilization, just on where the bill stands. I haven't talked to Biffle in a week.

MR. WHITE: There is a little danger now. Wagner might think you are going over and beyond him.

MR. PEHLE: Isn't everything going all right? Why don't you leave it alone?

MR. LUXFORD: It's going very well.

H.M.JR: I don't know if you boys are right if it is going to be a week from Tuesday.

MR. O'CONNELL: The thing is good. The thing I thought you were worried about was the Stabilization Fund.

H.M.JR: There is one thing, but I thought of Biffle.

MR. FELTUS: When are they talking about recessing for the summer?

H.M.JR: Wagner won't know if I call Biffle.

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MR. O'CONNELL: I don't see what you could get from Biffle.

MR. WHITE: Biffle might tell Wagner you called him to find out about this thing, and the fat would be in the fire.

MR. FELTUS: Biffle will play ball. Ask him not to mention it to Wagner. He is a politician.

MR. WHITE: Mr. Feltus, Wagner is getting very prima-donnish. The least word--today, for example, he said something.

MR. BERNSTEIN: If they don't take it up Tuesday, why do they have to wait until the following Monday? Why can't they do it Thursday?

MR. WHITE: There won't be anybody there after Thanksgiving--after the Fourth of July. (Laughter) They are going on a long week end beginning Tuesday.

MR. LUXFORD: They won't be here Monday.

MR. FELTUS: Biffle started his Fourth of July vacation today.

MR. WHITE: They can get the votes, but they might vote on the amendments. That's the danger.

MR. O'CONNELL: That's only an assumption.

H.M.JR: The thing I am worried about is this may get into a tangle with San Francisco.

MR. WHITE: Could be.

MR. LUXFORD: On the other hand, you don't want word to get out that Morgenthau is insisting they don't take their Fourth of July holiday, because that would make them mad.

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H.M.JR: You fellows don't give me credit for any common sense.

MR. LUXFORD: I said you don't want word like that to get out.

H.M.JR: No, all of you. I didn't just mean Luxford.

MR. WHITE: There is a representative of the Mead Committee--

MR. LUXFORD: I'll give you a little credit. (Laughter)

H.M.JR: Just a soupcon. That's French for damn little.

MR. WHITE: I never heard of that.

MR. BERNSTEIN: S-o-u-p-c-o-n, but it takes a little longer to say. (Laughter)

H.M.JR: Well, anyway, I find you all very dull. (Laughter) If you weren't all very polite, you might say, "That makes it unanimous."

MR. O'CONNELL: It doesn't seem there is any chance that San Francisco will go ahead of Bretton Woods if we take next week and the following week. San Francisco doesn't get here until next week.

H.M.JR: If you fellows don't worry, I am going to worry.

MR. PEHLE: Then we can say we told you so.

H.M.JR: That doesn't help.

MR. WHITE: Something we might have to worry more about is the Mead Committee is meeting tomorrow, and they propose--their representative was here and they are informing us--to talk to us, and they propose to go

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into the question of exchange rates, who determined them, what was the basis of it, why the difference of opinion, and so on. They have got quite a few questions.

MR. FELTUS: Who is?

MR. WHITE: The Mead Committee, and they have already picked up a lot of stuff.

MR. PEHLE: Who is their representative?

MR. FELTUS: Rudy Halley.

MR. WHITE: I don't know.

MR. PEHLE: Halley will play ball.

MR. WHITE: It isn't a question of his playing ball, it's the Committee.

MR. PEHLE: Do they rely on investigations or--

MR. LUXFORD: Postpone it until after Bretton Woods.

MR. WHITE: It was postponed until tomorrow, but they have got a lot of other items on the agenda. They want to know all about surplus property, and they are disturbed about the evaluation of lend-lease in reverse, and so on. Now, I agreed we could have somebody there.

H.M.JR: Who is that?

MR. WHITE: They want Treasury, State, and FEA.

H.M.JR: Whom did you nominate?

MR. LUXFORD: You would get into a fight about what the rates would be before Bretton Woods is through. That's the kind of thing Biffle ought to be able to pull us out of.

MR. WHITE: Do you want to postpone it?

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MR. LUXFORD: Yes, until after Bretton Woods.

H.M.JR: I agree with Luxford.

MR. WHITE: We have to do some awfully fast work if that's the case.

MR. O'CONNELL: Is it an Executive Session?

MR. WHITE: An Executive Session.

MR. LUXFORD: They will approach you out on the Floor. You don't know what the rates are.

H.M.JR: Who will take this over and try to get it postponed? Whose baby will it be?

MR. WHITE: I wouldn't even know how to go about that, because Senator Mead--this is a small part and they want a report.

MR. FELTUS: Biffle could handle Mead, and Kilgore is one of the top ranking members and is very active in it. You can find out what is going on from him. I will find out, if you like, but if it is Ferguson who is doing it--Mead is a lot weaker person than Ferguson, and Ferguson is running away with that Committee.

H.M.JR: Boys, put your heads together. I think it would be very unfortunate if we had to testify.

MR. WHITE: It is an Executive Session. They say it isn't to testify, it is just a conversation.

MR. PEHLE: Who were you going to send up?

MR. WHITE: I was going up.

MR. O'CONNELL: Not exactly. The sessions have been pretty well handled, and they haven't sounded--

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MR. LUXFORD: You let them cover a fight between War, State, and Treasury.

MR. WHITE: They already know the Treasury opposed an increase in rates from seventy-five to fifty in North Africa, that we started with seventy-five and fifty was imposed. Now, I am sure that I could--

MR. LUXFORD: Why fan it?

MR. WHITE: No.

H.M.JR: Look, suppose you fellows adjourn to somebody else's office and talk about it. But I think it would be too bad, and I would like to talk to Feltus on another matter.

Good afternoon.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 26 June 1945

TO Secretary Morgenthau
FROM Mr. Luxford

Apropos of my report to you yesterday on Burgess' testimony before the Senate Banking & Currency Committee, I am attaching today's newspaper reports.

The interesting thing is that all of the newspapers headlined Burgess' testimony as indicating the ABA will accept the Fund.

RL

Attachments

The New York Times.

JUN 26 1945

**SWITCH TO ENDORSE
WORLD BANK PLAN****American Bankers Also Accept
Fund but Suggest Modify-
ing Bretton Woods Plan**

WASHINGTON, June 25 (AP)—The American Bankers Association, changing an earlier stand, endorsed the Bretton Woods secretary agreements today with a proviso for some changes. Previously it had opposed parts of them.

W. Randolph Burgess, president of the association, suggested that the same board of directors should govern both the proposed \$2,000,000,000 International Stabilization Fund and the \$2,100,000,000 International Bank for Reconstruction and Rehabilitation.

Mr. Burgess first had represented the association as opposing the fund, center of most of the hostility to the agreements. However, he told the Banking Committee of the Senate at today's hearing that the fund as well as the bank would be feasible with some modifications.

Declaring that the "short-term character of advances" to nations from the fund needed clarification, he suggested a requirement that member nations purchase exchange on required to show they could make repayments within eighteen months and that they agree beforehand to do so.

He praised changes made in the plan in the House which have voted approval. The Senate should make the additional "clarifications" he outlined and insist upon them as conditions of United States membership in both the fund and the bank.

W. L. Hemingway, president of the Maritime-Commerce Bank and Trust Company of St. Louis, told the committee the United States should extend to Great Britain credit to tide it through the transition period from war to peace.

Senator Thomas of Oklahoma introduced two amendments to the Bretton Woods plan, one to authorize the Treasury to mint \$25 gold coins and another to allow the United States to use its surplus silver as part payment of the American contribution to the proposed fund.

The gold coin, containing an ounce of gold, need only be theoretical, he declared, rather than be in actual circulation. Leader of the Senate silver bloc, he said his amendment would keep the nation on a sound, metallic, monetary basis rather than on a managed paper currency.

The committee recessed until later in the week.

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The Journal of Commerce

JUN 26 1945

Burgess Drops Opposition to Monetary Fund

ABA President Calls for Safeguards Rather Than Delay to Senate Body

(Bureau of Journal of Commerce)

WASHINGTON, June 25.—Reversing a previous stand of opposition to the Bretton Woods Monetary Fund, W. Randolph Burgess, president of the American Bankers Association, today gave effective endorsement of the \$48,000,000,000 stabilization fund.

Mr. Burgess appeared before the Senate Banking and Currency Committee which is studying the proposed monetary proposals to tell the Senators that if he were in their place he would vote approval of the plan.

Would Follow House

While the ABA spokesman said that he personally would prefer to postpone operation of the Monetary Fund, around which the ABA criticism has centered, he replied to questioning by Senator Alben Barkley (Dem., Ala.) by saying: "If I were in your place, with the action of the House before me, I would proceed to safeguard the Fund rather than to postpone its operation."

There are two ways of approaching the problem, Mr. Burgess elaborated: either by postponing its operation until a more normal period, or by providing for safeguards. "I recognize that you are headed in the second direction," he said.

He maintained that the safeguards provided by the House which had, among other things, provided against long-term stabilization loans by the Monetary Fund unless loans in the right direction, although, he claimed, they should be strengthened.

The ABA spokesman suggested, for instance, that the short-term character of advances by the Monetary Fund should be clarified to provide as a condition of use of the fund "that it can be shown to the satisfaction of the Fund that the member making the payment exchange can repay within 18 months an amount to be set."

Mr. Burgess contended that such

a condition should not be subject to waiver. It would follow a precedent of the Federal Reserve System and other banks of loans to having a definite maturity for advances, he commented.

Would Boost Coordination

A further safeguard which could be added without altering the basic Bretton Woods plan would increase the degree of coordination between operations of the Monetary fund and the Reconstruction Bank, already provided for in the House-passed plan.

While the House plan calls for merging the offices of the United States official serving as governor

of the bank and the fund, Mr. Burgess asked that the executive directors of both institutions also merge their functions, so separate directors would not serve on the two institutions. As the plan now stands, twelve directors are provided for the bank and fund each, and twelve alternates for each.

In making a total of forty-eight, the opinion of the ABA spokesman, this was too large a number to make an effective working group, and the principle of having separate bank and fund directors should be dropped.

"There is a very good chance here of two many cooks spoiling the broth," he commented.

Taft Sees "Freedom"

When Mr. Burgess told Senator Barkley he would vote for the fund if he were in the Senator's place, Senator Robert Taft (Rep., Ohio), monetary fund opponent, said: "What you mean is that the

operations of the fund should be postponed." Senator Taft suggested that Mr. Burgess was opposed to the fund but was bowing to the "pressure of the inevitable."

Mr. Burgess did not accept this interpretation as correctly stating his views. While he expressed the belief that postponement was desirable, he said that "under the circumstances it would seem best to safeguard it as much as possible."

His testimony left little doubt that the ABA preferred not to put itself on record as asking outright postponement of the monetary institutions as they had been proposed after long efforts of Republicans and Democrats in the House committee to arrive at an acceptable compromise.

Seeks Silver Action

WASHINGTON, June 25 (AP).—

The Senate's silver bill, introduced today to tie a campaign for world monetary recognition of the white metal to the Bretton Woods agreement.

Senator Thomas (Dem., Okla.), its leader, told reporters he would ask the Banking Committee to hear him as a witness on proposals that:

1. The Treasury be authorized to mint coins containing an ounce of gold.

2. The Treasury be directed to use any silver not held in security for outstanding currency to pay that part of the American subscription to the proposed international monetary fund which is not required to be paid in gold.

THE SUN

JUN 26 1945

A.B.A. SHIFTS
ON BRETTONNow Indorses Monetary Agree-
ments With Certain Changes

Washington, June 25 (AP)—The American Bankers Association, changing an earlier position, indorsed the Bretton Woods monetary agreements today with a proviso for certain changes. Previously it had opposed portions of the plan outright.

W. Randolph Burgess, A.B.A. president, suggested that the same board of directors should govern both the proposed \$5,000,000,000 international stabilization fund and the \$1,100,000,000 international bank for reconstruction and rehabilitation.

Burgess initially had represented A.B.A. as opposing the fund, center of most of the opposition to the agreements. However, he told the Senate Banking Committee today the "fund," as well as the bank, would be feasible with some modifications.

Clarifications sought. Declaring that the "short-term" character of advances to nations from the fund needs clarification, he suggested a requirement that member nations purchasing on change be required to show that they have agreements within sight and limited and that they are beforehand to the aid.

Burgess praised changes made in the plan of 44 member nations in the House of Representatives, which already has voted its approval. He said the Senate should make the additional "clarifications" he outlined and insist upon them as conditions of United States membership in both fund and bank.

A colleague of Burgess in A.B.A., W. L. Hamlingway, who is president of the Mercantile-Commerce Bank and Trust Company, of St. Louis, told the committee the United States should extend Great Britain credit to tide it through the transition period from war to peace. He did not name any amount.

Thomas Has Two Amendments. Senator Thomas (D., Okla.) appeared before the committee to advocate two proposed amendments to the Bretton Woods plan, one to authorize the Treasury to mint \$20 gold coins and another to allow this country to use its surplus silver as part payment of the American subscription to the proposed fund.

The gold coin, containing an ounce of gold, need only be theoretical, Thomas declared, rather than be in actual circulation. The Oklahoma, leader of the Senate silver bloc, said his amendments would keep the nation "on a sound, metallic, monetary basis rather than on a managed paper currency."

After hearing several other witnesses the committee recessed its hearings on the Bretton Woods proposals until later in the week. According to reports, testimony therefrom Harry D. Ho, assistant secretary of the Treasury, as a final witness.

The Washington Post

JUN 26 1945

ABA Amends Bretton Stand, Asks Funds Be Provided Now

By the Associated Press

The American Bankers Association, changing an earlier position, endorsed the Bretton Woods monetary agreements yesterday with a proviso for certain changes. Previously it had opposed portions of the plan outright.

W. Randolph Burgess, ABA president, suggested that the same board of directors should govern both the proposed \$2,800,000,000 international stabilization fund and the \$9,100,000,000 international bank for reconstruction and rehabilitation.

Burgess initially had represented ABA as opposing the fund, center of most of the opposition to the agreements. However, he told the Senate Banking Committee today the "fund" as well as the bank would be feasible with some modification.

Declaring that the "short-term character of advances" to nations from the fund needs clarification, he suggested a requirement that member nations purchasing exchange be required to show they can make repayments within 18 months and if they agree beforehand to do so.

Burgess praised changes made in the plan of 44 member nations in

the House of Representatives which already has voted its approval. He said the Senate should make the additional "clarifications" he outlined and insist upon them as conditions of United States membership in both fund and bank.

A colleague of Burgess in ABA, W. L. Hemingway, who is president of the Mercantile-Commerce Bank & Trust Co. of St. Louis, told the committee the United States should extend Great Britain credit to tide it through the transition period from war to peace. He did not name any amount.

Senator Thomas (D., Okla.) appeared before the committee to advocate two proposed amendments to the Bretton Woods plan, one to authorize the Treasury to mint \$35 gold coins and another to allow this country to use its surplus silver as part payment of the American subscription to the proposed fund.

The gold coin, containing an ounce of gold, need only be theoretical, Thomas declared, rather than be in actual circulation. The Oklahoman, leader of the Senate silver bloc, said his amendments would keep the Nation "on a sound, metallic, monetary basis rather than on a managed paper currency."

New York ~~World~~ Telegram
JUN 25 1945

ABA Ends Opposition To Monetary Fund

By the United Press.
WASHINGTON, June 25.—W. Randolph Burgess, president of the American Bankers Assn., today gave qualified approval to the proposed international monetary fund to be set up under the Bretton Woods agreement.

He partially reversed previous testimony before the Senate Banking and Currency Committee, complaining the shift by remarking

that the issue "is no longer a question of 'yes' or 'no.' These hearings, the action of the House in approving the agreement, and the trend of public opinion are all in favor of international monetary co-operation."

"It becomes a matter of amendment to make the fund work more efficiently."

Burkley Charles Egan.

"I take it then," Sen. Alben W. Burkley (D., N.J.), said, "that the Bankers' Assn. no longer recommends elimination of the fund?"

"We wouldn't like to make up your minds for you," Mr. Burgess said.

"No," Sen. Burkley replied, "but I want you to make up your minds for yourselves."

"If I were in your place, with the action of the House before me," Mr. Burgess said, "I would recognize the situation and do what I could to safeguard the fund."

Sen. Robert A. Taft (R., Ohio), an opponent of the whole agreement, interrupted.

"What you mean," he said, "is that the operations of the fund should be postponed. You're opposed to the fund, but you're bowing to the pressure of the inevitable."

Burgess safeguards.

Mr. Burgess smiled.

"Well, not exactly," he replied. "In my judgment it should perhaps be postponed. But under the circumstances it would seem best to safeguard it as much as possible."

As safeguards he proposed that the same board of directors govern the fund and the proposed plan for international settlements.

Also, he said, the agreement perhaps should be amended to provide that short-term loans from the fund be made only on the condition that the borrowing nation repay in 18 months.

He said loans from the fund would be "highly inflationary money."

The ~~World~~ Sun

JUN 25 1945

**BANKERS REVERSE
ON BRETTON WOODS**

Washington, June 25 (A. P.).

The American Bankers Association reversed today its earlier position recommending that Congress postpone effect of the proposed \$5,000,000,000 international stabilization fund.

W. Randolph Burgess, president of the A. B. A., said he now felt it is "feasible" to go ahead with the fund as the twin of the \$5,000,000,000 international bank for reconstruction and development in the Bretton Woods monetary agreements of forty-four nations.

Mr. Burgess had represented the A. B. A.'s view in opposition to the fund in House Banking Committee hearings. He told the Senate Banking Committee today that changes which the House has since written into legislation enabling this nation's participation in the plan have improved its chances for success.

Mr. Burgess agreed under questioning by Senator Taft (R-Ohio), a leading opponent of the fund, that he still had a personal dislike for some phase of the fund and still had some inclination to favor its postponement.

This led Senator Barkley (D. Ky.), to inquire just what was A. B. A.'s position on the whole plan.

Mr. Burgess distributed a statement to reporters saying House amendments had "only partly" clarified the short-term character of advances made to member nations from the fund.

He advocated a clearly stated requirement that members making purchase of exchange from the fund agree to repay with eighteen months and show in advance that they are in a position to do so.

"This condition should not be subject to waiver," Mr. Burgess said. "This would be following the precedent of the Federal Reserve system and other banks of issue in having a definite maturity for advances."

Mr. Burgess suggested, too, that the bank and fund have the same board of directors in the interest of co-ordinating functions of the two establishments.

"The way it is now," he told the committee, "there is a very good chance of too many cooks spoiling the broth."

THE WALL STREET JOURNAL

JUN 26 1945

Senate Group Proposes Silver Be Given Role in World Monetary Fund

Blac Seeks to Tie Drive for Recognition of This Metal to Bretton Woods Pact

WASHINGTON (AP)—The Senate's silver bloc underlines in its campaign for world monetary recognition of the white metal the Bretton Woods agreement.

Senator Thomas (Dem., Ohio.), he leads told reporters he would ask the banking committee to hear him as a witness on proposals that:

1. The Treasury be authorized to mint coins containing an ounce of gold, and
2. The Treasury be directed to use any silver not held as security for outstanding currency to pay that part of the American subscription to the proposed International Monetary Fund which is not required to be paid in gold.

Mr. Thomas proposed these as amendments to pending legislation for American adherence to the Bretton Woods agreement.

Mr. Thomas is chairman of a special Senate Silver Committee whose members have been holding informal conferences on ways to promote a bi-metallic monetary base.

He said that as drafted, his amendments were domestic legislation which would not require any change in the Bretton Woods agreement.

He said his hope was that eventually world exchange payments would be in terms of his proposed new coin, the gold ounce, with silver holding a ratio to gold based on their relative production. The world now produces about eight times as much silver annually as gold.

Burgess Calls Fund "Feasible"

WASHINGTON (AP)—The American Bank Association reversed its earlier position recommending that Congress postpone approval of the proposed \$4.5 billion International Stabilization Fund.

W. Randolph Burgess, A.B.A. president, said he now felt it is "feasible" to go ahead with the fund as the twin of the \$4.1 billion International Bank for Reconstruction and Development proposed in the Bretton Woods monetary agreement.

Mr. Burgess had represented the A.B.A.'s view in opposition to the fund in House Banking Committee hearings. But he told the Senate Banking Committee yesterday that changes which the House has since written into the Bretton Woods legislation have improved the fund's chances for success.

He advocated a clearly stated requirement that members making purchases of exchange from the fund agree to repay within 18 months and also in advance that they be in a position to do so.

Mr. Burgess suggested, too, that the Bank and Fund have the same board of directors in the interest of coordinating functions of the two establishments.

NEW YORK
Herald Tribune
JUN 20 1945

Burgess Urges Safeguards for Monetary Fund

A. B. A. Head Approves in Part Bretton Woods Plan at Hearing in Senate

WASHINGTON, June 18 (UPI).

W. Randolph Burgess, president of the American Bankers Association, gave qualified approval today to the proposed international monetary fund to be set up under the Bretton Woods agreement.

Mr. Burgess partly reversed previous A. B. A. opposition to the fund in testimony before the Senate Banking and Currency Committee.

He explained the shift by remarking that the issue "is no longer a question of 'yes' or 'no.' These hearings, the action of the House in approving the agreement and the trend of public opinion are all in favor of international monetary co-operation.

"It becomes a matter of amendment to make the fund work more efficiently."

"I take it then," Senator Alben W. Barkley, Democrat of Kentucky said, "that the Bankers association no longer recommends elimination of the fund?"

"We wouldn't like to make up your minds for you," Mr. Burgess said.

"No," Senator Barkley replied, "but I want you to make up your minds for yourselves."

"If I were in your place, with the action of the House before me," Mr. Burgess said, "I would recognize the situation and do what I could to safeguard the fund."

Senator Robert A. Taft, Republican of Ohio, an opponent of the whole agreement, interrupted.

"What, and mean?" Senator Taft said, "that the operations of the fund should be postponed. You're opposed to the fund, but you're bowing to the pressure of the inevitable."

Mr. Burgess asked, "Well, not exactly," he replied. "In my judgment it should perhaps be postponed. But under the circumstances it would seem best to safeguard it as much as possible."

As safeguards he proposed that the same board of directors govern the fund and the proposed bank for international settlements.

Also, he said, the agreement should perhaps be amended to provide short-term loans from the fund be made only on the condition that the borrower's balance be in eighteen months.

He said loans from the fund would be "highly satisfactory money."

June 26, 1945
2:37 P. M.

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HMJr: Hello.

Attorney
Gen. Biddle: Henry.

HMJr: Yes, Francis.

B: Henry, I've looked at the file now on the man that you called me about - Charlie Carr. Do you remember?

HMJr: Very well.

B: My summary - I've also talked to Matt Korrea and two or three of the other people. My summary is about this. I don't think there is any evidence to show that he was slack or lax, or not on his toes out there. I don't think he is a top-flight lawyer. I think an abler lawyer would have gone into this thing more *carefully*.

HMJr: Yeah.

B: I know Carr quite well personally. I think he is a man of moderate good judgment, a little impulsive - quite vigorous, but not very well, technically, equipped for a really important position.

HMJr: I see.

B: That is about my summary. In other words, I think you can trust him as an individual, but not as a lawyer, if you see what I mean.

HMJr: Well, how about his judgment?

B: I don't think it is very good, Henry, frankly.

HMJr: Ahum.

B: This, of course, is most confidential.

HMJr: I know, I understand.

B: But you told me what it was for, and I personally, if I were in your shoes, would hesitate a good deal.

HMJr: Well, I have already told President Truman I didn't want him.

B: Yes.

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HMJr: But there is considerable pressure on me, you see?

B: Yes.

HMJr: And I wanted to see if I could get any...

B: Henry, there is no reason - if talking to the President, use my name all you like, but I just don't want it to come back and to go back to Carr - one of my assistants - United States Attorney - he'd say I'd block him. You know what I mean.

HMJr: Well, I've already told the President that I didn't want him.

B: Fine.

HMJr: But it is the question - if the President raised it, which I don't think he will, I wanted to be able to say, "Well, this isn't just my opinion." If I can say, "It's also Mr. Biddle's."

B: Sure, sure, go right ahead.

HMJr: But I don't think that Mr. Truman will say anything more about it.

B: Yeah. Well, you are perfectly free to do that, Henry.

HMJr: That's all -- but, outside of that, I won't say it to anybody.

B: Fine. Righto.

HMJr: I'm coming to your reception tomorrow.

B: Oh, that's lovely. I'm delighted. How is your lady, Henry?

HMJr: Not at all well.

B: Oh, dear. She was better for a while.

HMJr: Yeah, but since Friday she isn't feeling well at all.

B: Well, give her our joint regards. I'm awfully sorry.

HMJr: I'll do that. Thank you.

B: Bye.

June 26, 1945
11:46 A. M. 242

HMJr: Will, you are the darnedest fellow I ever saw.

Mr. Will Clayton: What's the matter, Henry?

HMJr: Well, either I can't talk to you for a week, or else you want to see me on the drop of a hat.

C: (Laughs)

HMJr: As President Roosevelt used to say "You sound as though you had ants in your pants."

C: (Laughs) Well, I've been trying to get over to see you for a week and they've had me on the Hill practically all the time - one committee or another, and I've just been running my head off. I had an engagement with you once and had to break it on account of something up on the Hill.

HMJr: Well, what's on your mind?

C: Well, I really can say it on the telephone. You remember you called me up at home one Sunday.

HMJr: Yeah.

C: Not long ago. Well, of course, I have been thinking about the matter but it developed just a few days after that, that I probably will go with the President on this Three-Power thing on account of some economic questions that will probably arise, and take one or two men with me. As that seems to be in the cards, I wouldn't be able to do the other, and I've got to be in London on the 7th of August at the UNRA Council.

HMJr: Oh, yes. Well, since I talked to you the President asked me definitely to stay in the country while he and the Secretary of State are out of the country.

C: Yes.

HMJr: Because with the two of them out, I'm the next.

C: Yes. Well, that is a very natural thing.

HMJr: So he asked - subsequently to my talking to you - he said, "Please to stay here." And then he said when he comes back I can go anywhere that my heart desires.

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C: Yes. I think that is a wise thing. So for the present it would have to be off.

HMJr: Well, he asked me to stay here.

C: Yes, I know.

HMJr: So it is off.

C: Yes.

HMJr: And come September, and I have an itching foot I think I'll take a little trip.

C: Yes, well, it, of course, might be possible in August.

HMJr: Not the way he talked.

C: Not the way he talked.

HMJr: No.

C: Now, Henry.

HMJr: Not the way he talked.

C: Yes. I think from that conference I will go to London and be there about the end of July or first of August, and then on the 7th the UNRA Council starts its meetings.

HMJr: Well, do you think the Three-Power will be over that soon?

C: Well, I -- they usually never last over two weeks, do they?

HMJr: I don't know - I don't know what he had in mind, but he said to me September for some reason or another.

C: Really?

HMJr: Yeah.

C: Well, I just assumed that ...

HMJr: Two weeks, eh?

C: That two weeks would be the limit, but I may be wrong. But what I was going to say to you is that we probably will have -- want to have in London in the first week in August if I can get there at that time - some talks on a pretty high level there about post-war commercial

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C:(cont.) policy, etc. And there's sure to arise some question about Britain's needs in the transitional period.

HMJr: Yeah.

C: And I was wondering if you wouldn't like to let Harold Glasser go over there as soon as I cable you when I can arrive. It may be, as you say, that this thing will last on into August. I don't know.

HMJr: Well, I've got a first-class man there now - Taylor.

C: Taylor.

HMJr: He's right there.

C: Ahuh. Our fellows all seemed to like Glasser very much, and I like him too. We get along fine.

HMJr: Ask them about Taylor.

C: Yes, all right. What is his name?

HMJr: Bill Taylor.

C: Bill Taylor.

HMJr: He is really sort of Financial Attache there, and he has a formal position on the European advisory committee.

C: I see.

HMJr: And then he used to sit here as Treasury representative with McCloy.

C: Oh, yes.

HMJr: McCloy knows all about him.

C: Yeah.

HMJr: And gets along very well with McCloy, and he gets along very well with Winant.

C: Yes.

HMJr: And when Kilgore went over there he said of all the people over that came before him, Taylor made the best impression.

C: Senator Kilgore?

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HMJr: Yes.

C: I see.

HMJr: And then we loaned him to Judge Rosenman when Rosenman made his trip.

C: Yeah.

HMJr: So he is really pretty well posted.

C: All right, I'll check on that.

HMJr: You check on Taylor.

C: Yeah. Sometime - do you expect to be here right along for the next two weeks?

HMJr: Yeah.

C: Well, sometime soon I want to make an appointment with you to sit down and go over this English position.

HMJr: Yeah.

C: And to discuss with you some other aspects of...

HMJr: I'm not busy, I've got nothing to do - just give me a day's notice.

C: (Laughs) All right.

HMJr: But I can't do these drop of the hat business like you'd like to.

C: But really, Henry, I didn't want to take any of your time this morning, I was just going to drop in to say to you what I said to you on the telephone.

HMJr: I called you up a couple of days ago after ~~Paul~~ called up to congratulate you on the fine work you've done.

C: Well, nobody told me.

HMJr: Yeah. I left word there - the day after the Trade Treaty passed that I wanted to tell you how pleased I was.

C: Well, you are awfully nice. It really was a great victory, wasn't it?

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HMJr: It was a wonderful victory - I know how hard you worked at it.

C: Gee, we sure did work, and it shows that public opinion is behind us because we never could have got by these pressure boys and minority selfish groups except with the strength of public opinion.

HMJr: I tell you, if you want to come over Thursday and have lunch with me, I'd be delighted.

C: Excuse me just a minute - let me look at my calendar. I've got an engagement, but I'll break it, - at what time?

HMJr: One o'clock.

C: I'll break it and I'll get my papers together and I'll be there at one o'clock.

HMJr: You tell her you'll see her some other time.

C: Yeah, (Laughs) O. K. Thanks very much.

HMJr: O. K.

C: Bye.

HMJr: Bye.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date June 26
1945

TO Secretary Morgenthau - Confidential

FROM Randolph Feltus

You have no doubt noticed a persistent recurrence in the press of the rumor that you will retire after completion of the Seventh War Loan Drive. This is added to all dope stories having to do with Stettinius and Ickes.

It is quite possible that Stettinius and Ickes, or one of them, will resign soon. If that happens, it will add credence to the rumor about your resignation.

I recommend that you announce one or more programs or projects which will involve you closely and personally for some months after the Seventh War Loan. If it is made clear that in December you will do so-and-so, and in February such-and-such, as Secretary of the Treasury, the rumor can be scotched.

If such announcements are made, I can have a couple of columnists and commentators argue that your position is solid as indicated by your program.

If possible, Truman's endorsement of the announced program should also appear. We can plant a question or two at his press conference to take care of this.

I know there is no need for me to point out how the uncertainty caused by this rumor can affect the morale of your staff and the cooperation of other government departments and the public in Treasury programs.

R.F.

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26 JUN 1945

My dear Senator:

In your letter of June 20, 1945 you ask several questions regarding the John Hartford-Elliott Roosevelt loan transaction.

This matter has been the subject of discussion with Congressman Broughton, Chairman of the Ways and Means Committee of the House of Representatives and Senator George, Chairman of the Senate Finance Committee. In these discussions it was agreed that the Bureau of Internal Revenue would complete a thorough investigation as soon as possible and submit its findings to the Congress through those Committees. The Bureau is proceeding diligently to that end.

The Senate Finance Committee, as you know, is authorized by law to obtain from the Treasury and to disclose to the Senate information from income tax returns which I am not otherwise privileged to disclose. I am confident that your interest and mine in the vigorous and impartial enforcement of the Internal Revenue laws will best be served by proceeding regularly with the full development of facts in this case for transmission to and consideration by the appropriate Committees in the Congress as is now contemplated.

In view of some of the observations in your letter, I think I should state that the Treasury Department, during my administration, has always

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viewed the Internal Revenue laws as being general and impersonal in character, to be applied to all without discrimination. That basic principle will govern the handling of this case.

Sincerely yours,

Henry Morgenthau, Jr.

Honorable Raymond E. Willis
United States Senate
Washington, D. C.

TJL:JJO'C:s:mv

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United States Senate
COMMITTEE ON NAVAL AFFAIRS

June 20, 1945

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

Dear Mr. Secretary:

Dear Mr. Secretary:

I have followed very closely the disclosures and statements regarding Elliott Roosevelt's \$200,000 loan from John D. Rockefeller, president of the Grant & P. Tea Company. At the same time, I have noted your intention to put on 10,000 new enforcement agents to work to uncover what you have termed startling income tax evasions. Further, I understand, you have called upon the banks to report to you any unusual transactions.

As we both realize, the disclosures relating to Elliott Roosevelt and his dealings with John Hartford, plus the long period that elapsed between the time Hartford claimed the huge deduction and the time you announced the Bureau of Internal Revenue Bureau investigation, reflect not only upon your former chief and our late president, Franklin D. Roosevelt, but upon the operation of an agency directly under your supervision, the Bureau of Internal Revenue.

In the interests of good government and of your own record, I have no doubt that you are anxious to give the public all information possible about every angle of this case.

Therefore, from my interest in keeping my people aware of what is happening in government and because I want to be well informed on this subject, I am requesting you to reply to the following questions at your early convenience:

- 2 -

1. Why did the Bureau of Internal Revenue wait until recently to begin investigating Hartford's 1942 deduction of such a large amount? Had the officials of the bureau gained knowledge that Westbrook Pegler intended to make the disclosure?
2. Do you not feel that it is time for drastic improvement in the service of the Bureau of Internal Revenue when this agency of the government is two years behind in investigating the returns of the richest men in America? It is now four years after the war began and five years after income levels began to rise swiftly due to direct and indirect war work.
3. Would you use the 10,000 new enforcement agents on these higher brackets, rather than concentrating on the small businessman while the big ones get by with claiming huge deductions for such losses as the one claimed by Hartford?
4. Who was Collector of Internal Revenue at the time the Hartford 1942 return was filed? If the return was made at the usual time early in 1943, Robert E. Hargrave, Postmaster General and chairman of the Democratic National Committee, was collector. Did you ever talk with Mr. Hargrave about this particular return, and, if so, what was his excuse for not making the necessary investigation at that time?
5. In view of the fact that you have access to all records of the Bureau of Internal Revenue, can you tell me whether or not Elliott Roosevelt reported the ultimate disposition of the \$196,000 he financed from John Hartford, and if he did not do this, why not? Also, can you tell me whether or not Elliott Roosevelt negotiated other "loans" from other prominent men, as has been rumored?
6. If a young civilian of 29 were to deposit \$200,000 or more in a bank, although having no great noticeable income, would you expect a banker of today to report that as an unusual transaction? Or what exactly do you mean when you request banks to report every "unusual transaction".

Assuring you that I am with you in every good cause to promote honest government, I am

Yours most sincerely,

Raymond E. Willis

Raymond E. Willis

RECEIVED
SPEC. CORRESP. CONT.
JUN 23 1945
BUR. INT. REV.
NO. 11111

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June 26, 1945

My dear Mr. Plevin:

By now, you will have received official notice from the President, through our State Department, that he has asked me to postpone my trip to France.

I was very sorry that I could not accept your very kind invitation to come to France early in July and assist in the opening of the War Bond Exhibit. However, I hope that the situation will be such that I will be able to make a trip to Europe after President Truman returns to this country.

With kind regards,

Sincerely yours,

(Signed) Henry Morgenthau, Jr.

Honorable Rene Plevin,
Minister of Foreign Affairs,
Paris, France.

SPECIAL
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

253

DATE June 25, 1945

TO Mrs. Klotz
FROM Secretary Morgenthau

I want to write a personal letter to Fleven telling him how sorry I am that I can't come over now and that I hope to come over later. Please remind me.

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June 26, 1945

Dear Bob:

For your information, I am enclosing herewith a copy of Senator Willis' letter to me, and my answer to him.

Sincerely yours,

(Signed) Henry

Honorable Robert L. Doughton,
House of Representatives,
Washington, D.C.

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June 26, 1945

To: S. George Little
From: James L. Houghteling
Mailing lists

Mr. Russell of Secretary Morgenthau's office has asked me to prepare a list of from 900 to 1,000 names of labor outlets to receive copies of Congressman Wright Patman's recent statement in the Congressional Record in commendation of the program and work of the Secretary of the Treasury. I suggest that reprints of Congressman Patman's remarks be sent to the following mailing lists which are on file at our office in Chicago.

List No.	List Title	No. of Pages
14	C.I.O. Labor List Newspapers	177
15	A.F.L. Labor List and Misc. Newspapers	415
15-A	Railroad Labor Press	16
246-A	C.I.O. International Unions	40
246-C	C.I.O. State Industrial Union Councils	36
246-F	A.F. of L. Organizations and Departments	106
246-G	A.F. of L. State Branches	48
363	American Newspaper Guild	84
		922

Also one copy to:

D. B. Robertson,
President,
Brotherhood of Locomotive Firemen
and Enginemen,
Keith Building,
Cleveland, Ohio

Alvanley Johnston,
President,
Brotherhood of Locomotive Engineers,
Engineers Building,
Cleveland, Ohio

A. F. Whitney,
President,
Brotherhood of Railroad Trainmen,
B. R. T. Building,
Cleveland, Ohio

H. W. Fraser,
President,
Order of Railroad Conductors of A.,
O. R. C. Building,
Cedar Rapids, Iowa

William Green,
President,
American Federation of Labor,
Mass. Ave. and 9th Street N.W.,
Washington, D. C.

Philip Murray,
President,
Congress of Industrial Organizations,
718 Jackson Place N.W.,
Washington, D. C.

T. C. Cashen, Chairman,
Railway Labor Executives Association,
10 Independence Avenue S.W.,
Washington, D. C.

The mailing to the above lists will give the article in question a very fine circulation among labor leaders.

June 26, 1945

Dear Walter:

For your information, I am enclosing herewith a copy of Senator Willis' letter to me and my answer to him.

Thank you very much for your helpful suggestions.

Sincerely yours,

(Signed) Henry

Honorable Walter F. George,
United States Senate,
Washington, D.C.

FROM: Newspaper Section
War Finance Division
Treasury Department
Washington 25, D. C.



NEWS DESK

Room 746, Washington Building, Washington 25, D. C.

FRANK E. TAYLOR, Chairman, Allied Newspaper Council, Various Newspapers, Director

S. GEORGE LITTLE, Special Consultant, Treasury
BUREAU DAVIS, War Finance Division, Editor
LEONARD COHEN, Minneapolis Star-Journal
ROBERT TAYLOR, Scripps-Hearst Newspapers

EDWIN D. BISH, International News Service
MORRIS L. LORSON, News Newspaper Publishers Association
DAVID L. LORSON, News Newspaper

L. LORSON LORSON, Editor
FRANK J. MCCARTHY, Financial Writer
MAX HALL, Associated Press
PETER BLANKEN, United Press

Office of War Information cooperating

Release Date 251
A. M. P. M.
Release No. _____

IMMEDIATE RELEASE

090

WASHINGTON, D. C., June 26 -- The winning quotation from Franklin D. Roosevelt's speeches, to be imprinted on a special war bond to be issued in the 8th War Loan as a memorial to the late president, will be announced by Secretary of the Treasury Morgenthau during a broadcast over NBC on Friday, June 29, from 10:45 to 11 p.m., EDT.

The Washington newspaperman who submitted the winning quotation will receive a war bond award from the Secretary. Associate Justice Owen J. Roberts of the U. S. Supreme Court was judge of the contest.

Decision to issue the memorial bond, to carry Mr. Roosevelt's picture and the quotation, was made by President Truman and Secretary Morgenthau in a conference on how best to meet the public demand for such a memorial, a Treasury spokesman explained. It was a physical impossibility to print and distribute such a bond in the interval between President Roosevelt's death and the opening of the Seventh War Loan, so it was made the first project for the next war loan. The contest was opened to Washington newspapermen and correspondents and three war bond prizes will be awarded for three quotations considered most appropriate.

The program will be heard in Washington over Station WRC.

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IMMEDIATE RELEASE -- RADIO PAGES AND LISTINGS

090-A

Washington, D. C., June 26 -- Secretary of the Treasury Henry Morgenthau Jr. will talk on progress of the 7th War Loan on the Victory Parade of Spotlight Bands program, Wednesday, June 27, 9:30 to 10 p.m., EDT, over the Mutual network.

(The local Washington outlet is WOL).

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FROM: Newspaper Section
War Finance Division
Treasury Department
Washington 25, D. C.



Release date 258
A. M. P. M.
Release No. _____

NEWS DESK

Room 746, Washington Building, Washington 25, D. C.

FRANK D. TAYLOR, Chairman, Allied Newspaper Council, Current Newspapers, Director

S. GEORGE LITTLE, Special Consultant, Treasury
BUREAU DAVIS, War Finance Division, Editor
ANDREW COHEN, Minneapolis Star-Journal
ROBERT TAYLOR, Scripps-Owned Newspapers

KEVIN D. BAY, International News Service
MORRIS KATZBERG, Negro Newspaper Publishers Association
DAVID HARRISON, Hearst Newspapers

L. IRENE LORSON, Labor Editor
FRANCIS J. MCCORMACK, Financial Writer
MAX HARRIS, Associated Press
PETER HARRISON, United Press

Office of War Information cooperating

RELEASE AMs, JUNE 26

Sp. Release #G-5

WASHINGTON, D.C., June 25 — Secretary of the Treasury Morgenthau announced today that two milestones had been passed in the Mighty Seventh War Loan drive.

At the close of business Monday night overall sales totalled \$20,250,000,000.

Having passed 20 billion dollars at this stage of the drive, Mr. Morgenthau said, "It would appear that we are going to set a new high in total sales for any War Loan to date."

He further pointed out that, more importantly, sales to individuals in this drive, had passed a high watermark of all Loans of the war to date. Total of all types of securities sold to individuals in the Seventh War Loan reached \$4,595,000,000 tonight.

However, the Secretary continued, since higher goals had been set for individual participation, there was still much work remaining to be done by volunteers throughout the country in order that these high quotas might be attained.

Mr. Morgenthau concluded: "I believe that the results achieved to date in the Seventh War Loan drive prove conclusively that the American people not only are bound and determined to stand behind their fighting men, but to see the war with Japan through to complete and unconditional surrender."

###

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Hyde Park
Dutchess County, New York

June 26, 1946

Dear Henry:

I was delighted to see this and
although I have told you before, I want
to say again what a grand job you did on
Bretton Woods.

Affectionately,

E. A.

*I do hope this is better & your
anxiety is lessened -*

(Not printed at Government expense)



United States
of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 79th CONGRESS, FIRST SESSION

Tribute to Hon. Henry Morgenthau, Jr.,
Secretary of the Treasury

SPEECH

HON. WRIGHT PATMAN

IN THE HOUSE OF REPRESENTATIVES
Wednesday, June 6, 1946

Mr. PATMAN. Mr. Chairman, no discussion of the Bretton Woods program would be complete without a tribute to the man who is primarily responsible for this opportunity to build a solid economic foundation for world peace and world progress. I refer to Henry Morgenthau, Jr., the Secretary of the United States Treasury. He has held that position longer than any other person in the history of the United States, with one exception; he has done more during his incumbency than any other Secretary of the Treasury, with an exception.

The Bretton Woods program for the International Bank and Fund is the culmination of the policy of international monetary and financial cooperation which the Treasury Department inaugurated under Secretary Morgenthau.

The decade of the 1930's, partly as a result of the depression, was a period of serious monetary disorder. Countries were unable to maintain the value of their exchanges and world trade declined rapidly. Difficulties were intensified by the fact that Germany, grinding for a war of aggression, inaugurated a virtual economic reign of terror, using restrictive and discriminatory exchange controls to attack established trade relations and to obtain a large supply of war materials.

Secretary Morgenthau realized very early that only through international cooperation would it be possible to free world trade from the mounting volume of currency restrictions.

The fact that in the latter part of the 1930's the exchanges of the Latin Amer-

ican republics were relatively stable is largely due to arrangements we made with them.

Secretary Morgenthau's keen awareness of the imminence of war in Europe and the possibility it might become world-wide, endangering the United States, was demonstrated as early as 1936. In that year the impending devaluation of the French franc held threats of grave trouble. If the devaluation should have set off a new international-exchange war, the French economic structure might be so weakened by riots and strikes that Hitler, even with a military machine only half built, would have been encouraged to march in, with the thought that he could take France with little or no struggle.

This was part of the reasoning that resulted in the United States, Great Britain, and France joining in the tripartite agreement of 1936. The purpose of the agreement was to maintain a reasonable parity between the currencies of the co-operating nations. Holland, Belgium, and Switzerland soon joined the originators of the plan and the members of the so-called sterling bloc likewise benefited from exchange stabilization.

If, at that time, there had been the machinery under which economic and political cooperation could have been developed along with this monetary co-operation, the Axis Powers might well have been curbed and this terrible war prevented. Unhappily, there was no such machinery.

Secretary Morgenthau remained, however, constant in his knowledge that economic cooperation must underlie political cooperation and must provide a solid foundation for any enduring peace. He awaited the propitious time for bringing the peace-loving nations of the world together and the Bretton Woods Conference came as the result of his untiring efforts and unflinching zeal.

Let no one think of the present Secretary of the Treasury as a starry-eyed idealist intent upon only distant goals. His entire record shows a deep realization that his job is to serve the United States of America and its people.

In the years preceding the outbreak of World War II he was outstanding in his recognition of the necessity of seeing that the United States should be prepared to meet any eventualities.

It was largely due to Secretary Morgenthau's insistence on American preparations that American aircraft factories were tooling up, well in advance of President Roosevelt's historic plea for 50,000 airplanes, to assume their obligations.

It was largely due to investigations launched by the Treasury Department, even before Hitler's attack on Poland, that this country knew what critical and strategic materials it might require, if war should bottle up our customary sources of supply, across the Atlantic and the Pacific.

It was largely due to Secretary Morgenthau's personal interest that realistic programs of helping China and pan-American countries meet their urgent economic problems were launched. But for these programs Japan might have crushed China in relatively short order and Hitler and Mussolini might have been able to establish, in our own hemisphere, military bases for war against the United States.

Some may say that such reasoning is too much in the category of what might have been. But there can certainly be no disputing the solid evidence of facts and figures.

Let us turn to the matter of war financing. Secretary Morgenthau's record resonates to his credit at every point. He has urged, in one Congress after another, revenue programs designed to keep the Nation's finances upon a sound basis. His advice has not always been followed

to the letter. It is to his credit that he has urged sound financing at all times and that he has opposed such plans as the forgiveness of \$6,300,000,000 of taxes due, when income taxes were placed on a pay-as-we-go basis. It is unfortunate that in this matter a past Congress failed to heed his advice. But his leadership has been preeminent at all times. And it is due to his careful planning that the great expansion in the Federal debt has been achieved with stable interest rates—far lower than have ever been achieved in any previous war. If you who hear me will think back to the 4½-percent rate which prevailed during World War I, and contrast this with the 1½-percent rate prevailing today, you will need no further argument on this point.

As a result, this country is saving approximately \$4,000,000,000 a year.

This fact is not merely a tribute to Secretary Morgenthau's war record. It comes about as the result of careful planning, prudent management of the Nation's fiscal affairs in time of peace, plus intelligent development of new ideas for the benefit of the Government and its people.

Arrangements for war financing are a case in point. Back in 1938, when United States Savings bonds were first offered to the public, there was no threat of war. But it seemed to Secretary Morgenthau that it would be a good thing for the Government to have the national debt distributed as widely as possible, and that it would be a good thing for the people to encourage their thrift, and their interest in National Government, as its bondholders.

We called them "Baby bonds" then. But the Baby bonds of 1938 and succeeding years grew into the Defense bonds that enabled this country to finance its preparedness program, and after December 7, 1941, they became the war bonds that are held by 83,000,000 Americans.

60416-12138

CONGRESSIONAL RECORD

today. And but for the start that was made, long before war clouds hung over the world, this Nation would never have been able to distribute its bonds so widely or to make effective generally the economic safeguards that have been established.

The people of this country recognize what has been done and what is being done. And their record in oversubscribing every war loan to date with, I am confident, he snatched in the Mighty Seventh Drive, now in progress.

The people know Secretary Morgenthau is right, not only because they are the results of his policies, but because they know his philosophy. It is the philosophy of Thomas Jefferson, of Andrew Jackson, of Abraham Lincoln, of Franklin Roosevelt, of Harry Truman. These men knew the people. They trusted the reasoned, informed judgment of the people. And so does Henry Morgenthau, Jr.

I hardly need to remind you of the posture that was so evident, early in the war, for a system of compulsory savings. But Secretary Morgenthau was adamant upon this issue. He wanted people to invest their savings in Government bonds, not under compulsion, but of their free will—because they wanted to win the war and because United States bonds were the world's best and safest investment. And Secretary Morgenthau's reasoning on this issue is so significant of the philosophy guiding all his actions that I quote from what he said, back in 1941, when he first asked authorization from Congress to borrow from the general public, through a defense savings bond campaign. The Secretary said:

There exists in the country today an overwhelming desire on the part of nearly every man, woman and child to make some direct and tangible contribution to the national defense. We ought to give them a sense of personal participation beyond that which comes

from doing their daily job faithfully and well. Every day, letters come to me from people who ask "What can I do to help?" Our plan to offer securities attractive to all classes of investors is an attempt to answer this question. I can think of no other single way in which so many people can become partners of this Government in facing this emergency.

Some people in this country today are seeing another side of Secretary Morgenthau. It is quite in keeping with his trust in the people as a whole that he should be shocked at the discovery of malfeasance. It is quite in keeping with his determination to protect the interests of the millions of men in uniform, the 93,500,000 individual taxpayers and the 43,500,000 bondholders that he has declared unrelenting war upon the black marketeers, the racketeers and the other war profiteers who are in this terrible conflict only an opportunity to amass personal wealth—and dodge their taxes.

I predict stern justice for these tax evaders, because I know the spirit that animates Secretary Morgenthau and I know, too, what delight he takes in administrative efficiency, in accomplishing results, whatever he undertakes.

It is, perhaps, a long cry from the tripartite accord of 1936 to the campaign against tax evasion, and some of my hearers may say there is little connection between war bond campaigns and Berlin Woods. But I want to point out that the record of a man provides the best yardstick to measure his stature. I point to the record of Secretary Morgenthau because it is an outstanding record. He has foreseen developments on occasion after occasion. He has acted promptly and effectively. He saw, long ago, the necessity for a stable economic order if the world was to enjoy peace. Today we have an opportunity to take advantage of his foresight, his planning, his wisdom.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date June 26,
1945

TO Secretary Morgenthau
FROM J. W. Fahle

Points you may wish to raise at the three o'clock meeting:

1. Assure full Bureau of Internal Revenue agreement on the statistical work which you want done covering all significant Bureau activities. The figures are to cover the period beginning July 1, and be furnished to you every four weeks in detail.
2. Confirm that the Commissioner is assigning Tom Atkinson to this work, and that he is being relieved of other responsibilities and given the necessary staff.
3. I understand Charles Bell has obtained the written concurrence of Commissioner Egan and Joseph O'Connell in a memorandum which he has sent to you covering current plans for Internal Revenue expansion. If you are in agreement with such memorandum it might be well to indicate your concurrence at this meeting.
4. I believe you wanted to discuss the McKellar case further with some other people present at this meeting.
5. Emphasis of tax drive not to be directed against "the little fellow".

260 8
THE PLAZA BANK OF ST. LOUIS
ST. LOUIS, MO.

June 26, 1945

Hon. Wright Patman, M. C.,
House Office Bldg.,
Washington, D. C.

Dear Mr. Patman:

Thank you for sending us a copy of your tribute to the Hon. Henry Morgenthau, Jr., Secretary of the Treasury, in the House of Representatives on Wednesday, June sixth, 1945. In our opinion Mr. Morgenthau has done a very remarkable piece of work in the handling of the finances of our government during the most critical periods which have extended throughout his term of service. It was past time for him to receive public recognition of the debt which we all owe him.

Sincerely,

F. R. von Hindenburg
President

FRW:WLF

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

PRECISION

TRADE MARK

MICROSTAT

REG. U. S. PAT. OFF.

MICROFILM

ROLL NO.

12"

6/26/45 - Original list sent
to Mr. Fussell.

✓
Patman Statement to be sent to:

Captain Henry Morgenthau III,
O-1001909,
Troop B, 2d Cavalry Sq. (Mech),
APO 403,
c/o Postmaster,
New York, New York.

Lieut. Robert M. Morgenthau,
USS Harry F. Bauer (DM 26),
Fleet Post Office,
San Francisco, California.

Miss Joan Morgenthau,
Davison Hall,
Vassar College,
Poughkeepsie, New York.

Mrs. Robert Morgenthau,
4440 West Lake Harriet Blvd.,
Minneapolis, Minnesota.

Honorable Henry Morgenthau, Sr.,
1133 Fifth Avenue,
New York, New York.

Mrs. Mortimer J. Fox,
Foxden,
Peekskill, New York.

Mrs. John Knight,
40 East 66th Street,
New York, New York.

Mrs. Paul L. Wiener,
399 Park Avenue,
New York, New York.

- 2 -

Mr. Sam Lewisohn,
61 Broadway,
New York, New York.

General Edward S. Greenbaum,
War Department,
Room 3E 724,
Pentagon Building.

Mr. Harold Hochschild,
61 Broadway,
New York, New York.

Mr. Morris L. Ernst,
285 Madison Avenue,
New York 17, New York.

Mr. Lawrence Greenbaum,
285 Madison Avenue,
New York 17, New York.

Mr. Herbert Wolff,
285 Madison Avenue,
New York 17, New York.

Dr. Harold Hyman,
940 Park Avenue,
New York, New York.

Dr. Robert Levy,
730 Park Avenue,
New York, New York.

Mr. Bernard Heineman,
245 Church Street,
New York, New York.

- 3 -

Judge Irving Lehman,
36 West 44th Street,
New York, New York.

Mrs. Franklin D. Roosevelt,
Hyde Park,
New York.

Mr. Alan Barth,
The Washington Post,
Washington, D. C.

Mr. Nathan Straus,
1657 Broadway,
New York 19, New York.

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

Mr. George Albee,
University Club,
Wilmington, Delaware.

Mr. B. M. Edwards,
1401 Main Street,
Columbia, South Carolina.

Mr. Fred M. Vinson,
Director, War Mobilization,
Washington, D. C.

Mr. Dean Acheson,
Assistant Secretary of State,
Washington, D. C.

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- 4 -

Mr. E. E. Brown,
President,
First National Bank of Chicago,
Chicago, Illinois.

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

Mr. Harriner S. Eccles,
Chairman,
Board of Governors of the
Federal Reserve System,
Washington, D. C.

Miss Mabel Newcomer,
Professor of Economics,
Vassar College,
Poughkeepsie, New York.

Honorable Brent Spence,
House of Representatives.

Honorable Charles W. Tobey,
United States Senate.

Honorable Robert F. Wagner,
United States Senate.

Honorable Jesse P. Wolcott,
House of Representatives.

264

265

- 5 -

Mr. Alfred Jaretski,
48 Wall Street,
New York, New York.

Mr. Arthur H. Sulzberger,
Publisher, New York Times,
Times Square,
New York, New York.

Members of Cabinet, including the incoming members.

Heads of Independent Agencies.

8/23/56

Mrs. Charles Heming

Miss Edith Haas

Mrs. Josten

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE June 26, 1945

TO Mrs. Klotz
FROM Mr. Fussell

266
*Check for \$131.25 -
turned over to Mr.
Fussell - 6/27/45 -*

As the Secretary has been informed, the following are the winners of the Roosevelt quotation contest:

Mr. Daniel M. Kidney, winner of the \$100 bond
Mr. Ned Brooks, winner of the \$50 bond
Mr. Thomas W. Kelley, winner of the \$25 bond.

At your convenience, would you please secure the Secretary's check for \$131.25 so that bonds may be obtained for them as follows:

Mr. Daniel M. Kidney, -- \$100 bond
2121 R Street, N. W.
(Daniel M. Kidney, Jr., Co-owner
2121 R Street, N. W.)

Mr. Ned Brooks, -- \$50 Bond
4614 Langdrum Lane,
Chevy Chase, Mr.
(Mrs. Mary J. Brooks, co-owner
Same address)

Mr. Thomas W. Kelley, -- \$25 bond
906 Garland Avenue,
Takoma Park, Maryland.
(Mrs. Barbara N. Kelley, co-owner
Same address)

W. J. Fussell

STANDARD FORM NO. 14
APPROVED BY THE PRESIDENT
MARCH 16, 1933

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

FROM	Secretary of the Treasury
BUREAU	261
CHIEF APPROPRIATION	Exchange Stabilization

26 JUN 1945

W. H. Wheeler, Jr.
Business & Industry Committee for Bretton Woods, Inc.
Hotel Roosevelt
New York, N. Y.

Metel your committee is to be commended for giving public recognition to the senators and congressmen who have worked together in a non-partisan spirit to give the world machinery for international economic cooperation. The Bretton Woods proposals were conceived through the cohesive action of 44 nations. Our Congress has followed through in this constructive spirit, casting aside party politics to pull together in the public interest. By their action these statesmen have pointed the way for intelligent relations between nations.

The sponsors of the legislation and the members of the House Banking and Currency Committee are particularly deserving of the gratitude of all who want world peace and security. It was these statesmen who guaranteed passage of the legislation through their demonstration of steadfast devotion to public service.

As Secretary of the Treasury and as an individual, I send my heartiest good wishes to your honored guests and to your committee which has itself performed a notable public service.

Henry Morgenthau, Jr.

1st Lm/jr

R.X.

HF:Dr1 -6/26/45

WUS HL P3

NEWYORK NY JUN 22 1945

HON HENRY MORGENTHAU JR

SECY OF THE TREASURY

THE BUSINESS AND INDUSTRY COMMITTEE FOR BRETTON WOODS, INC,
RALPH E FLANDERS, CHAIRMAN, IS GIVING A LUNCHEON TO HONOR THE
CONGRESSMEN WHOSE NON-PARTISAN EFFORTS EFFECTED THE PASSAGE OF
THE BRETTON WOODS LEGISLATION IN THE HOUSE. THE MEMBERS OF THE
HOUSE BANKING AND CURRENCY COMMITTEE WILL BE HONORED GUESTS AT
THE LUNCHEON, AND IN ADDITION, U S SENATORS WAGNER AND TOBEY.
THE LUNCHEON WILL BE HELD AT THE ROOSEVELT HOTEL IN NEW YORK
ON THURSDAY, JUNE 28TH. WITH 500 PROMINENT BUSINESSMEN AND THE
CONGRESSMEN IN ATTENDANCE. WE WOULD GREATLY APPRECIATE A WIRE
OF GREETING FROM YOU TO THE GROUP ASSEMBLED AT THE LUNCHEON
SINCE WE BELIEVE THIS IS THE FIRST OCCASION THAT A PROMINENT
BUSINESS AND INDUSTRIAL GROUP HAS HAD THE OPPORTUNITY OF
CONGRATULATING CONGRESS PUBLICLY ON ITS STATESMANLIKE
APPROACH TO THE BRETTON WOODS ISSUE. A MESSAGE FROM YOU WOULD
ADD GREATLY TO THE SPIRIT OF THE MEETING. THE MESSAGE SHOULD
BE DIRECTED TO W H WHEELER, JR CHAIRMAN OF THE LUNCHEON,
BUSINESS & INDUSTRY COMMITTEE FOR BRETTON WOODS, HOTEL ROOSEVELT
NEW YORK

LOUIS P BIRK EXECUTIVE DIRECTOR

815A JUN 23.

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BUSINESS AND INDUSTRY COMMITTEE FOR BRETTON WOODS Inc.

ROOSEVELT HOTEL • MADISON AT 45th
NEW YORK 17 • MURRAY HILL 4-3986

June 22nd, 1945

CHAIRMAN
RALPH E. FLANDERS

SECRETARY
WALTER H. WHEELER, JR.

TREASURER
LOUIS SACHSE

EXECUTIVE DIRECTOR
LOUIS P. BARK

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President,
New World, Inc.
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Vice President and
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Morris McCormack
Lines, Inc.
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Baltimore Trade Co.
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President,
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President,
The Richard Kennedy
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JOHN J. WACK
President,
Barnett National Corp.
JOHN A. STEVENSON
President,
The Mutual
Life Insurance Co.
CARL M. WYBING
President,
Overseas Industries, Inc.

Continued over

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

Dear Sir:

We wish to confirm the following night letter sent to you
this day:-

"The Business and Industry Committee for Bretton Woods, Inc.,
Ralph E. Flanders, Chairman, is giving a luncheon to honor
the Congressmen whose non-partisan efforts effected the pas-
sage of the Bretton Woods legislation in the House.

The members of the House Banking and Currency Committee will
be honored guests at the luncheon, and in addition, United
States Senators Wagner and Tobey.

The luncheon will be held at the Roosevelt Hotel in New York
on Thursday, June 28th, with 500 prominent businessmen and
the congressmen in attendance.

We would greatly appreciate a wire of greeting from you to
the group assembled at the luncheon since we believe this
is the first occasion that a prominent business and indus-
trial group has had the opportunity of congratulating Con-
gress publicly on its statesmanlike approach to the Bretton
Woods issue. A message from you would add greatly to the
spirit of the meeting.

The message should be directed to W. H. Wheeler, Jr., Chair-
man of the "Luncheon, Business & Industry Committee for Bretton
Woods, Hotel "Roosevelt, New York."

Respectfully yours,

Louis P. Bark
Louis P. Bark
Executive Director

THE CENTRAL BANK OF CHINA

OFFICIAL DEPOSITORY OF THE
NATIONAL GOVERNMENTHEAD OFFICE
CHUNGKING, CHINACABLE ADDRESS
"GOVERNMENT"

June 26, 1945

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

Dear Secretary Morgenthau:

I am glad to acknowledge receipt of your letter of June 9, 1945 and to hear from you that the easing of the transportation situation has facilitated the shipments of the remainder of the \$200 million of gold to China. Your cooperation in this matter is greatly appreciated.

During my stay in this country I have received many courtesies from you and through your friendship and understanding we have been able to settle some of the pending questions between our two countries. I shall cherish more than ever your friendship that has stood the test of more than twelve years. It is my hope that you will continue to extend to me the benefit of your advice and that you will also help China's postwar reconstruction program.

With best wishes.

Yours sincerely,

H. H. Kung

My dear Mr. Secretary:

This is in reply to the letter of 7 June addressed to Mr. White by Mr. Clayton concerning the termination of military responsibility for civilian supplies in liberated areas.

I understand that discussions have been proceeding between Mr. McCloy, Mr. Crowley and Mr. Clayton on these matters. If I may comment, however, on the letter of Mr. McCloy which was attached to your letter of 7 June, it seems to me that the military has responsibility for the importation of civilian supplies in Italy as long as part of that country is under Allied Military Government in which the United States takes a part. In any case, I assume that the military relief program will not be terminated without prior consultation with the Italian Government as provided in President Truman's letter also attached.

It is disturbing to me to know that the policy announced to the world by President Roosevelt and Prime Minister Churchill in their joint statement of 26 September 1944 and adopted, I believe, by President Truman, has not yet been implemented, and that it may not be implemented in the future. Such a complete failure to carry out the promise made in the 26 September declaration should not, in my opinion, be permitted to occur.

Sincerely,

(Signed) H. Morgenthau, Jr.

The Honorable,

The Secretary of State.

HHS: 6/25/45

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



DEPARTMENT OF STATE
WASHINGTON

June 7, 1945

In reply refer to
1A

Dear Mr. White:

I enclose, herewith, copy of a letter dated June 2, 1945, from Mr. McCloy, Assistant Secretary of War, to me in my capacity as Chairman of the Liberated Areas Committee.

The letter with its enclosure was read in the meeting of LAC this morning and will be circulated with the matters for further consideration. The letter is of such importance, however, that I am forwarding it for your urgent personal attention.

Sincerely yours,

W. L. Clayton
Chairman
Liberated Areas Committee



The Honorable

Harry D. White,

Assistant Secretary of Treasury.

SECRETAttachment 3 of LAC MinutesTHE WHITE HOUSE
WASHINGTON

May 21, 1946

Dear Mr. Secretary,

On November 10, 1943, President Roosevelt directed the Army to undertake the initial burden of shipping and distributing relief supplies for liberated areas of Europe pending the completion by civilian agencies of plans to carry out the necessary long range plan of relief. The fact that our vast military operations in Europe have been carried on without disease and unrest in liberated areas testifies to the Army's successful discharge of the obligation so imposed.

Once liberation of a country has been accomplished, however, I feel that the best interests of the United States and of the liberated country itself require termination of this military responsibility as soon as the military situation permits. No responsibility for civilian supply in any liberated country in Europe should continue to rest upon the Army except as may be dictated by the actual necessities of the military situation.

On the other hand, no liberated country should be prejudiced by termination of this responsibility. The date and conditions of termination in each case should be subject, of course, to the recommendation of the military commander in the field. In order that the transition from military to civilian responsibility may be smooth, final decision by the Army to end its responsibility should be made only after consultation with the government of the liberated country concerned and also with our own State Department and Foreign Economic Administration.

In addition, I think the general policy of the Army, upon such termination, should be to continue to assist the national governments involved and the appropriate civilian agencies of our own Government and UNRRA to the extent the

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SECRET

-3-

military situation permits. This should include, where possible, and to the extent legally permissible, the transfer of supplies which are in excess of essential military requirements.

To the extent that implementation of this policy requires agreement of British military authorities, will you please cause negotiations to be initiated through appropriate military channels to obtain such agreements?

Very sincerely yours,

/s/ Harry Truman

The Honorable

The Secretary of War

Washington 25, D. C.

SECRET

SECRET

Attachment 2 of LAC Minutes

WAR DEPARTMENT
Office of the Assistant Secretary
Washington, D. C.

2 June 1945

Hon. William L. Clayton
Chairman, Liberated Areas Committee
Department of State
Washington, D. C.

Dear Mr. Clayton:

I enclose herewith copy of a letter dated May 21, 1945 from the President of the United States to the Secretary of War dealing with termination of military responsibility for the importation of civilian supplies.

The War Department contemplates the following program to implement this letter:

1. As to Holland, Norway, Belgium and Denmark.

a. No funds will be included in War Department budget estimates for fiscal year 1946 for the provision of civilian supplies in these areas.

b. War Department will terminate the provision of civilian supplies to these areas with August 1945 loadings. Supplies already in the pipeline resulting from the use of funds appropriated in fiscal year 1945 will be adequate to meet requirements through August loadings.

2. As to France.

a. War Department will terminate the provision of coal with August loadings.

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-2-

3. As to Italy.

a. No funds will be included in War Department budget estimates for fiscal year 1946 for the provision of civilian supplies in this area.

b. The economic policy for Italy established in the joint statement of the President and the Prime Minister of September 26, 1944 can no longer be supported on a military basis. Because requirements implementing this policy have just been received in the War Department, up to this time no supplies have been furnished to Italy above those necessary to avoid disease and unrest. Since the broadened policy can no longer find support on military basis, no supplies will be furnished by the War Department to implement such policy.

c. In the event agencies of this Government other than the War Department assume the responsibility for provision of supplies to Italy, there are sufficient supplies currently in the pipeline to permit the War Department to furnish to such agencies other than the War Department civilian supplies for Italy on the disease and unrest formula through August 1945 loadings.

Appropriate action will be initiated promptly to apprise British military authorities and theater commanders concerned of the War Department's position.

While this program has already been the subject of consultation between representatives of the Foreign Economic Administration and the War and State Departments, I wish to formally notify you of the War Department's views at this time and to solicit your cooperation in effecting the smooth transition desired by all concerned.

The Director, Civil Affairs Division, War Department, will be glad to confer with the appropriate representatives of the civilian agencies of our government at their convenience with respect to the extent to which supplies or allocations in the hands of the War Department can be made available to ease the transition.

Sincerely Yours,

/s/ John J. McCloy
Assistant Secretary of War

SECRET

RELEVANT PARAGRAPHS FROM JOINT DECLARATION
OF PRESIDENT ROOSEVELT AND PRIME MINISTER CHURCHILL
26 SEPTEMBER 1944

"At the same time, first steps should be taken toward the reconstruction of an Italian economy--an economy laid low under the years of the misrule of Mussolini and ravished by the German policy of vengeful destruction.

"These steps should be taken primarily as military aims to put the full resources of Italy and the Italian people into the struggle to defeat Germany and Japan. For military reasons we should assist the Italians in the restoration of such power systems, their railways, motor transport, roads and other communications as enter into the war situation, and for a short time send engineers, technicians and industrial experts into Italy to help them in their own rehabilitation.

"The application to Italy of the trading with the enemy acts should be modified so as to enable business contacts between Italy and the outside world to be resumed for the benefit of the Italian people.

"We all wish to speed the day when the last vestiges of Fascism in Italy will have been wiped out, and when the last German will have left Italian soil, and when there will be no need of any Allied troops to remain--the day when free elections can be held throughout Italy, and when Italy can earn her proper place in the great family of free nations."

278

26 June 1945

Dear Bernie:

I have just read your testimony before the Senate Military Affairs Committee on the elimination of Germany's economic potential for war.

Your statement was a masterful job and I am sure will do a lot of good in creating an enlightened public opinion on this crucial issue.

Sincerely,

(Signed) Harry

Mr. Bernard M. Baruch
597 Madison Avenue
New York 22, New York

JWP:1hh 6-26-45