DIARY

Book 816

February 3-6, 1945

- A -

- B -

- C -

- D -

- F -

- G -

- L -

- M -

- V -

- W -

February 3, 1945
10:27 a.m.

HMJr: Hello.

Senator Meade: Hello.

HMJr: Henry Morgenthau.

M: Yes, sir. How are you?

HMJr: Fine. How are you?

M: Very good.

HMJr: How does this Wallace thing look to you now?

M: Well, I think it will look all right. We will not have a picnic by any means but if we get a little help on the Republican side, and I have every reason to believe we will, he'll be confirmed; however, with such good spade men as Senator McKellar ....

HMJr: Yeah.

M: .... and Harry Byrd and some more of them on that side, they can really do a job on a man, and if the Republicans and Senator McKellar and his crowd -- you see, we usually figure on Senator McKellar ....

HMJr: Yes.

M: .... and a few men that are associated with him, sometimes Tom Stewart and them, we always figure on them being on the organization side.

HMJr: Yes.

M: But when they're joining with Bailey and Gerry and Byrd on our side and then get some substantial Republican help, I'm afraid they'll get that young crowd over there Bushfield and Waring and Morrison. Why, it's a man-sized job but personally, if the President signs the Jones -- the George Bill, I think we can -- we can just about get by with just a comfortable number with the confirmation of Henry Wallace.

HMJr: Will the delay of a couple of weeks -- will that be in Wallace's favor or disfavor?

M: The delay from now until the President signs the bill?

HMJr: Yeah.

M: Well, if it weren't for that delay, I'm afraid they might beat him.

HMJr: I see. In other words he's gaining?

M: That's right.

HMJr: Good.

M: He didn't have a chance the other day.

HMJr: He didn't?

M: We had a caucus in the morning and Senator Barkley said that he was going into executive session and he was going to -- that is, he was going into executive session and inform the boys that if the President would sign the George Bill, he was ready to make an agreement not to act on the Wallace confirmation until the George Bill was acted upon, and if it was acted upon adversely, they could use their own judgment about whether or not they would side -- they would vote for Wallace. But if the George Bill was signed, he was going to make a real organization attempt to put over the confirmation. So that was agreed upon in our caucus and later the Senate agreed upon it.

HMJr: Of course ....

M: I think it worked out all right; whereas, if we'd voted on Wallace that day, they'd probably have beaten him.

HMJr: I see. I see. How about the Democratic organization -- are they helping? Hannegan and his group.

M: They are very -- I don't know. I don't know. I wouldn't say that they had taken any action yet.

HMJr: They haven't?

M: No. They -- they may be, and yet ....

HMJr: You feel ....

M: .... they probably would contact me or contact some of our fellows.

HMJr: But they haven't?

M: I haven't heard that they have.

HMJr: Right.

M: Yes.

HMJr: Well, I just want -- I'm very much interested in his confirmation and I was -- thought I'd call up a friend and ask him how it's going.

M: That's what the situation is, Henry.

HMJr: I'm much ....

M: Say -- hello?

HMJr: Yes.

M: We have a case here that involves this New York auction firm.

HMJr: Yeah.

M: I told our man to call you one day.

HMJr: Yes.

M: There is an auction auctioneer there that I think got a lot of -- he's a very good auctioneer, too, I'm told.

HMJr: Yes.

M: And I can very easily believe it. But he's a great organizer in addition to that. He's got a professional letter-writer associated with him who has evidently presented Goldberg with a lot of letters, some of which are not authentic. At any rate, there is one letter that they gave to Herbert Swope from a Mr. Wooley....

HMJr: Yeah.

M: .... of the American Radiator Company which looks like a phoney.

HMJr: Yes.

M: Then there's another letter that they've got from a girl who was secretary to some important fellow, but they brought the girl some nylon stockings and that item of expense was in their expense account.

HMJr: Who was that?

M: Well, now, that was a letter that they had addressed to Senator Henderson, the head of the R.F.C., and I think it came from a Mr. Hamilton of some industry.

HMJr: Yeah.

M: Industrial organization. But he had a man named Van Ginhoven -- Van Ginhoven.

HMJr: Yeah.

M: Van Ginhoven -- he's an engineer.

HMJr: Yeah.

M: And he said that out in Cleveland they pulled out a whole sheaf of letters and showed them to him very hurriedly to indicate that they were big shots. But he said he -- he gave us under oath ....

HMJr: Yes.

M: .... the fact that he saw a letter there from you and Frankfurter and from a whole lot of public officials -- Jesse Jones and all them. See? But I told -- they -- they're not going to be available and we're not going to do anything about them, and I told our attorney to call you and call Mr. Frankfurter -- Justice Frankfurter, to tell you that there was this statement in the record and it was in Executive Session and we're going to leave it there unless you fellows want to take any action. Frankfurter just said that, "I gave nobody letters and there's no letter there from me. It's not -- it's a phoney." And so we treat them mostly all in the same category except that Bayard Swope told

M:
Cont'd. us that he gave three letters, but the three letters that he gave them had developed into about three hundred now. Not that he gave them three hundred but they take one of these letters and they go in to Jesse Jones, and Jesse sends them to Husbands, and Husbands sends them down to Joyce and they keep passing them down to lower echelons, but in every instance they write,after they get home,another letter, and they say that Herbert Bayard Swope will be very happy when we report to him the wonderful treatment you accorded us on our recent visit to Washington. So they've got Bayard's name bandied all over every Department.

HMJr: They have?

M: And then they throw in it Bernard Baruch. See? And so all these letters are official and they are in the files and just because Bayard gave them two or three letters in the beginning and talked to them a few times, because one of the boys is in his family, why, they're using him, I think, ten times more then he ever thought he would be used -- maybe a hundred times more.

HMJr: Yes.

M: So they're a little bit dangerous in that they're too ambitious. They have a man named Durham down here and another man named Archie McNeil. McNeil used to be a State Senator in Connecticut and Durham used to be with the National Committee down here. And Goldberg is the principal and a fellow named Brandt who is an in-law of Bayard Swope's. I think Brandt's son married Swope's daughter.

HMJr: Yeah.

M: But it's just a case where they got a good letter-writer in there and a very clever man at intrigue and he's been making use of everybody.

HMJr: Well, I got the message and I appreciate it very much. What I did, I informed Elmer Irey who is Chief of our Intelligence. I think you know him.

M: Oh, yes. He used to be, years ago, at the Post Office.

HMJr: That's right. And I told him to make an investigation of -- were there any letters there of myself. You see?

M: Yeah. Yeah.

HMJr: Or Frankfurter. And he got this Van Ginhoven over here.

M: Oh, yes.

HMJr: And had two or three hours with him and they got down to -- he said Goldberg said they had such letters but didn't show them. And then Irey was in touch with your people and they said not to go after Goldberg until you were through with him.

M: That's right.

HMJr: But as soon as he's through with him, I've asked for an official investigation to make him produce the letters or sign a statement he has no letters.

M: Fine.

HMJr: Because I know he hasn't; if he has, they're forgery.

M: Yeah.

HMJr: But I don't want it on the record.

M: Well, I think that would help all along the line if that fellow were made to admit that he had no official or authentic letters.

HMJr: Well, Elmer Irey -- you know, he's a great detective.

M: Oh, boy, yes.

HMJr: And he's on it and -- but your people said to lay off Goldberg until you were through with him.

M: Fine.

HMJr: But then as soon as you're through with him, we're going to go after him.

M: Yeah.

HMJr: And make him put up or shut up.

M: Yeah. I think he's a good man, but I think he's got a high-pressure man working with him.

HMJr: Well, I ....

M: And they thought they were doing all right, but they were getting people into trouble and ....

HMJr: Well, I don't want my name ....

M: No.

HMJr: Because a couple of years from now somebody will say, "Well ...."

M: That's right. That's right.

HMJr: ".... they had a letter from Morgenthau."

M: Yeah. And then if it's in the record that we do nothing about it, they'll say that we covered it up. You see?

HMJr: Well, I ....

M: If you bring it to an end, why, then we're all protected.

HMJr: I've officially asked Irey to investigate whether there's either one there of me or Frankfurter.

M: Fine. I think that will work out all right.

HMJr: Don't you think that's right?

M: I think that's perfect, yes.

HMJr: And I'll let you know what the result is.

M: Fine. And if we can refrain -- if the matter doesn't come out in public, it's all right, because it's phoney and we don't need to worry about it. If you make your intended investigation, it will be straightened out anyway.

HMJr: There's no letter here. I even checked my father's file to make sure that he hadn't written any.

M: Yes.

HMJr: He hasn't written any letters either.

M: Fine.

HMJr: So if he has one, it's a counterfeit.

M: Sure. It isn't wrong to write a letter because we send hundreds of them out every week, but we try to make a check with the police department and others, but often times you can't do it.

HMJr: Well, I've yet to write my first letter introducing somebody on a war contract.

M: Well, I think that's a very good system.

HMJr: Yeah.

M: Fine.

HMJr: Well, thank you.

M: All right, Henry.

HMJr: Good bye.

February 3, 1945
10:45 a.m.

HMJr: Hello, Mr. Canfield. Morgenthau speaking.

Cass Canfield: Yeah.

HMJr: Mr. Canfield, there's an author, or writer, whichever way you call them, by the name of David Loth, L-o-t-h.

C: L-o-p-h?

HMJr: L-o ....

C: Oh, t-h, yeah.

HMJr: Loth.

C: Yeah.

HMJr: He's written "Alexander Hamilton" for one thing.

C: Yeah.

HMJr: I don't know how many other books he's written. He's written a number of books. We -- let's see -- "Lorenzo, the Magnificent", "The Brownings", "Philip, II" -- a number of books.

C: Yeah.

HMJr: We can get his services. Now, what I'd like to know from you, as a publisher, what do you think of him. You see? I don't know whether you could make some inquiries or have somebody -- or take a look at some of his books.

C: Yes, I know the name very well, indeed.

HMJr: Yes.

C: Can we check that for two or three days?

HMJr: Well, I'd like to know by Monday, because he's sort of in between things. He's been doing something, I think, for the Inter-American Committee.

C: Yeah.

HMJr: Do you think you could let me know Monday morning?

C: I'll call you, yeah, if I could do it late in the morning.

HMJr: Pardon? What did you say?

C: Could I do it late in the morning, Mr. ....

HMJr: Well, you do it when you're ready Monday.

C: All right -- any time Monday.

HMJr: But somebody -- I would like your own personal opinion.

C: That's right.

HMJr: You see?

C: Yeah.

HMJr: But here's a man that's done a lot of writing and I should think that you could tell very quickly whether he would be the kind of man you'd like to see.

C: That's right.

HMJr: And you'll be -- I mean, I'm not a good judge of that sort of thing.

C: Have -- have you been talking to him?

HMJr: No, he has -- Herbert Gaston worked alongside of him on the New York World.

C: Uh huh.

HMJr: You see?

C: Yeah..

HMJr: And he's a personal friend of Herbert Gaston's down here, the Assistant Secretary of the Treasury.

C: Yeah.

HMJr: And he came in wanting to do some pamphlets for some organization he worked for on Bretton Woods.

C: Yeah.

HMJr: And that's the way we happened to -- he just came in by accident, so to speak.

C: Yeah.

HMJr: But I have not talked to him because I wanted to wait until I had talked to you.

C: Yeah. I gather that he's rather interested in -- in economic things -- not deeply but that he has some knowledge of it.

HMJr: Well, the kind of books that he does would lead one to think so.

C: Yeah.

HMJr: I don't know. Maybe you'd want to interview him yourself.

C: Yeah.

HMJr: I don't know but he's done this book on Alexander Hamilton that I'm going to take home over the week-end to read myself.

C: Yeah.

HMJr: So, I mean, that's as good a -- I mean, that's just a view of all the books -- everything.

C: Yeah. Does Gaston lead you to think that he'll be interested and sympathetic with -- with the idea that you want expressed?

HMJr: I gather so.

C: Yeah. Yeah. Well, of course, you really want our judgment on the man as a writer? On this other matter, that's something that you would discuss with him.

HMJr: That's right. I want a professional opinion of him as a writer.

C: Yeah.

HMJr: In other words, would you take him on if it was your responsibility from a professional standpoint I mean?

C: That's right.

HMJr: And I'll decide as to where his heart is.

C: All right. I think that is, as we've said all along, not as important because I think the man ought to have some conviction about the job he's doing to make it a good one.

HMJr: That's right.

C: Yeah. Well, fine.

HMJr: Then I'll hear from you. In the meantime, they've got twelve chapters done now.

C: Oh, fine. Very good.

HMJr: Yeah.

C: Okay. Well, I'll call you Monday then.

HMJr: Thank you.

C: Fine. Good bye.

February 3, 1945
11:45 a.m.

FEDERAL RESERVE

Present: Mr. D. W. Bell
Mr. White
Mr. Luxford
Mr. Bernstein
Mrs. Klotz

H.M.JR: You have some other things?

MR. WHITE: This other is under consideration anyhow. You keep balances in the Chase National Bank. What are they now?

MR. LUXFORD: One billion, one hundred million.

MR. WHITE: One billion, one hundred million, and large balances in the Guaranty and otherwise. Now, there are two things that might be considered. One is that the war is approaching an end, and you may want to reconsider your working balance which has been extremely high, although it might have been not too high because of the untoward circumstances. You might want to reduce the balances somewhat, and as you reduce the balances somewhat, you also reexamine the distribution of your deposits and make adjustments which are appropriate, and I think among those appropriate adjustments you might find some of the big banks have more than their reasonable share of their deposits are--

H.M.JR: ...what are loan deposits.

MR. WHITE: Yes.

MR. BERNSTEIN: Of course, it is fairly automatic what they hold, as it stands.

MR. WHITE: As it stands, but--

MR. LUXFORD: Change of formula, that's right.

(Secretary leaves conference temporarily.)

H.M.JR: Go ahead.

MR. WHITE: That is the second. Of course, it should be done for perfectly legitimate reasons, and the ideal objective is so that they will have no grounds for complaining that they are being pressed, and at the same time they should recognize that they doubtless would be--that you are beginning to carry out what you promised or implied you might.

If they are looking for a fight, they will get it.

H.M.JR: Of course, have you got some more?

MR. WHITE: One more, a third one, and these are just different areas. A third possibility is there are a number of potential suits of the Chase Guaranty Mortgage on the grounds of violation of trading with the enemies, and so on.

Now, for example, there is a case the lawyers just sent to me in which they feel that the Attorney General's office ought to go forward with a trial of the Chase National Bank.

MR. LUXFORD: We indicted the Chase National Bank and Anton Smit a year or so ago, and the Attorney General is lying down on the job. He won't prosecute the case, although Smit has pleaded guilty.

H.M.JR: Someone sent me a memo on it.

MR. WHITE: I guess I sent it to you. Mr. Bell objects. He doesn't think the big bank is guilty of any such thing. He is opposed to doing it, and I suggested, and the Legal Division feels it should be done. Joe O'Connell thought it ought to be raised in staff.

H.M.JR: I didn't want to send it through without Mr. Bell seeing it. I signed it and sent it in to him.

MR. WHITE: Anyhow, he has it. He called me in about it. I think they ought to give them a chance to state

their reasons why, because I don't know enough about it--what they are picking up in France. I don't know whether there is enough. I gather some of the cases are rather thin.

MR. LUXFORD: I would put it this way, Mr. Secretary. You have some of the material that is coming out of France on Morgan and Chase in particular. That is what they are up to. Now, we talked about this with Kilgore, about doing a little investigating and holding some hearings on that. We thought it might be a good idea if Kilgore were to call on the Treasury and say, "Look here, I have heard they have been doing business with the Germans. Let us see your files." At that point we would have to say that we are not through with investigating and they would have to wait until we get our files complete. In the meantime he can begin smiping at them, and they will be nervous.

H.M.JR: White said that the end of the war being near, the inference, I take it, being we don't need the bank so much. But it is going to be just the opposite with the war over. Our people think we are going to have to depend upon the banks more than ever.

MR. BERNSTEIN: I think Mr. White was thinking of working balances.

MR. WHITE: I don't think that the banks are in the position, and I don't think the banks are in a position at any time to make any trouble for us. They can start and may make you a little. I think you've got the upper hand on financing.

MR. LUXFORD: They put themselves in a terrific position immediately when they know they are refusing war financing. They just couldn't do it.

MR. WHITE: I am not mitigating the fact that they are not going to love you for anything you do on this. You will be dealing a blow, and they will retaliate.

H.M.JR: They didn't keep faith with me in this

meeting.

MR. WHITE: I wasn't sure whether what they said was, I thought, overstressing a bit what they said. They didn't say in their report they would come out.

H.M.JR: On the Hill is what they said.

MR. WHITE: They haven't got to the Hill yet, so they could say that on the Hill. That is nothing that is immediately called for. You might mull over those ideas in your mind.

H.M.JR: Let me be completely frank with you people. Bell correctly--he is my liaison between the Federal Reserve and Treasury--talked to the Federal Reserve about our financing, see? He has one plan and Gamble and George Haas have another. The whole plan that Bell has been talking about to the Federal Reserve here in New York appeared on the Wall Street Journal ticker. Well, I had Shaeffer call them up and say it was wrong and we would appreciate it if they didn't run it in their paper, and they didn't. But what I am leading up to is that the great trouble is this. There is nobody in this town when I take on a fight like this outside of the Treasury who would see me through. I went all through this on the Giannini business. I was reading Time magazine. At that time--just to digress a little--Johnny Hanes made a bargain, according to Giannini, with him, which he said Hanes had the right to do, speaking for me. Hanes said he never did, but in this little article in Time Hanes is one of the three people to help reorganize Hearst, and they said they had to get some new bankers to help them. One is a fellow in Boston. I never heard of him. The other is A. P. Giannini.

But when I got into this fight which Crowley and Eccles wanted me to take on against Giannini's bank, which I tried to do, Eccles ran out on me. Jones ran out on me, and Crowley ran out on me. If I am going to take a thing like this on and switch from New York, I've got to think awfully, awfully hard. The Fed won't support me. I am transferring my allegiance, and

once I do it, I can't whipsaw this thing.

MR. WHITE: We didn't think it would be accomplished. You lose the effect by accomplishing it. What we want to do is talk about it.

MR. LUXFORD: We just want to talk about it.

MR. WHITE: That's as far as we went. Whether you want to go as far as that, we didn't have in mind to do it.

MR. LUXFORD: They will get nervous, because that really hits them.

MR. WHITE: They will interpret that as being a response, I think, in the light of what you said. What their response would be I don't know.

H.M.JR: I would rather transfer those--the foreign balances are in deposits with the Fed, and I would rather transfer them to Boston or Chicago.

MR. WHITE: That might be interpreted--they might begin to have a case then saying you are beginning to put the screws on because they had an independent view of Bretton Woods.

H.M.JR: And so what?

MR. LUXFORD: You don't have to do that. You can make them very nervous. That may be the next step.

H.M.JR: This thing is less important than the other fight we had with them. Now, we are proposing to talk about lowering the whole rate structure, you see?

MR. WHITE: I don't think this is terribly important.

H.M.JR: The Federal Reserve Board was with us a week ago. Whether they are with us today, I don't know.

MR. WHITE: You want to lower the rate structure.

Who doesn't?

H.M.JR: Allan Sproul--

MR. BERNSTEIN: ...made a speach to the bankers last week about the enormous earnings, and incidentally took a crack at Bretton Woods.

H.M.JR: No, but this thing, it so happens that with all the leads on it that the market is adjusting itself so--

MR. WHITE: Expecting lowerings?

H.M.JR: We've got to do it.

MR. WHITE: What is the lineup here?

H.M.JR: I think Bell is advocating it.

MR. WHITE: And Ted Gamble and Haas don't agree.

H.M.JR: No. That is something quite different. What Bell wants to do is to do our financing in three jumps, first individuals--have three separate drives, and the first one would be individuals, and then the corporations, and then the banks. It seems to me he is right, but that is what Gamble and Haas don't want, you see, to stress the individual drive.

Well, now, the compromise which Gamble is coming through with is a very good one, and that is to have a three month drive on individuals alone, for the payroll--I mean, start the thing in April so as not to wait so long, and go ahead and go after the individuals and put it up very high. But I don't know that there is any fighting on rate structure. Bell has been for lowering interest rates, and the Fed and the Board have been with me up to, I think, a week ago. In the meantime the amount of currency outside has gone down, and there have been so many leaks that the two percent bond has gone completely out of line, and so has the two-and-a-half

percent bond. It is just crying to be done.

MR. BERNSTEIN: Maybe that is the best way of doing it, Mr. Secretary--have a leak or two.

H.M.JR: That is what Bell says, but I would rather control the leaks.

MR. BERNSTEIN: I think we should be the source of the leaks.

H.M.JR: But it's a very interesting thing.

MR. WHITE: Speaking of the New York Federal Reserve Bank, this would be of interest, I think. We might use it. Creighton told me that the Chairman of the Board of the Federal Reserve Bank of New York, Beardsley Ruml, was quite unhappy, but he said he was for Bretton Woods. In their discussions of Bretton Woods they had those committee discussions while he was not there, and he is quite angry about it. Now, that would kind of check with the attitude he took with me, although he didn't tell me that precisely.

H.M.JR: He told me that in Boston in great confidence. Beardsley Ruml felt they put one over on him.

MR. WHITE: That is what he told me.

MR. LUXFORD: Suppose you were to call Ruml and Sproul down here the same as you did the bankers.

H.M.JR: This Brown fellow--a year ago last July when we fixed it so the Treasury would finance the war and its contacts with the people rather than the twelve Federal Reserve banks, he has never recovered from that. I gave it to him so hard he had to go to the hospital.

MR. WHITE: Isn't it possible to get rid of Sproul? When does he come up again?

H.M.JR: Yes, at any time, but if we start to do these

things, you see, and he will say, or somebody will say, "Well, if he can't get along with the Treasury, he better get out."

MR. WHITE: That is what he should do, since he is with the most important bank dealing with the Treasury. If he doesn't see eye to eye with them, he should get out.

H.M.JR: And Williams, too.

MR. WHITE: That's right. That would be the most effective, because that would get around.

H.M.JR: I think if these things begin to happen, and then--

MR. LUXFORD: That's the way to get the result.

H.M.JR:...Ruml will come out and say, "What's the matter down here? What are you doing this for?" Then I'll say, "You are a smart guy. What do you think?" I'll let Ruml ask to see me if we begin to move.

MR. LUXFORD: If you start negotiations, they will be worried sick without doing anything.

MR. WHITE: I don't know. Well, I don't think that this whole matter is terribly important, because I don't think the New York Federal Board's position, now that this report is out, is going to be the decisive factor in Bretton Woods. It is something to think over in case you want to.

H.M.JR: Let me just do it right now, part of it. See?

MR. WHITE: Do what right now?

H.M.JR: Talk to Bell. Let me just talk to him right now.

MR. WHITE: You have read that report very carefully

now. Did we get the other copies?

MR. BERNSTEIN: We have another copy.

MR. WHITE: Do you think it is going to be a damaging report?

MR. BERNSTEIN: It has certainly been toned down to sound sweet and reasonable.

MR. WHITE: That is the mistake we made. The more we talked with those fellows on the report, the only result we got was that they didn't make themselves as vulnerable as they would have if we hadn't talked to them. They covered up. They didn't change their policy, but they had made it appear sweet and reasonable which makes it more difficult.

MR. BERNSTEIN: They have one objection. I think we ought to hit them head-on on that objection.

MR. WHITE: Well--

(Mr. D. W. Bell enters the conference.)

H.M.JR: Dan, it is tea time in Normandy. Will you have some?

MR. BELL: No, thanks.

H.M.JR: We are just doing a little thinking out loud, see? I know some of the trouble you are having with the Fed in New York, and some that these boys are having, and you remember I said if they couldn't, we might have to begin to look, maybe, to putting the screws on them a little bit. One of the suggestions they raised was to go back to something in 1930--the Federal Reserve Board should decide on the foreign balances, you see?

MR. LUXFORD: Supervision of the Federal's maintenance over foreign balances, and also on foreign Central Banks maintaining their balances in New York together with all

negotiations incident to it. That is under the supervision now of the Board of Governors, and the question is whether or not it wouldn't be worth while for us to discuss with the Fed or with the Board of Governors under the circumstances whether we shouldn't solidify our working relationships with the Board of Governors rather than with the New York Fed on those balances and our dealings, because that's under the statute where they stand in the position, and it would be a pressure on the Fed. They wouldn't be the Number one man reporting back to the Board of Governors. They would be getting their instructions from the Board of Governors. All we have to do is just start talking about it. We don't have to act.

H.M.JR: What do you think about it?

MR. BELL: As I see it, all you want to do is start discussing with the Board the matter of supervising these balances, and the liaison would be between you and the Board rather than between you and the Fed in New York.

MR. LUXFORD: That's right.

MR. BELL: The Fed in New York now keeps the Board advised in all of those matters and keeps--sends them copies of all documents and memos.

MR. LUXFORD: That's right.

H.M.JR: I want you to think about it over the week end.

MR. BELL: They are handling this in New York as fiscal agent.

H.M.JR: That's why I asked you.

MR. BERNSTEIN: Some of it is as fiscal agent. Some of it is not.

MR. BELL: If they are not fiscal agency functions, I see no objection to it. If they are fiscal agency functions,

then I question whether the Secretary should set the precedent of going through the Board.

MR. WHITE: You might have the Board act as a fiscal agent, not the bank.

MR. BELL: There is no authority in the law to designate the Board as fiscal agent.

MR. LUXFORD: This would be a question of not arriving at that result but discussing it with them.

MR. WHITE: You can't discuss it if--

H.M.JR: Look. Let's just let this thing be planted in Mr. Bell's mind and let him think about it over the week end, see?

MR. BELL: Yes.

H.M.JR: I told them as soon as they brought it up, I know how you feel about fiscal agency between the Treasury and these twelve banks, but just think about it. Also, you might think about it, if you come to the conclusion we can't do that, the possibility of moving some of these foreign funds to Boston or Chicago, see?

MR. BELL: I have thought a little about that. I don't think you will have any difficulty of moving them, but it is a matter of ordering. On the other hand everything is done in New York, I take it, where it concerns the institutions in New York City mostly, so you will have that difficulty, and it would be an inconvenience to the public.

H.M.JR: Well, think about it, Dan.

MR. BELL: Yes. The possibility of withdrawing your fiscal agency functions along this line and letting the Board give instructions to the Federal Reserve Bank, and doing your end of it here in Washington as a matter of cooperation between you and the Board--leave out the fiscal agency.

MR. LUXFORD: Withdraw it.

H.M.JR: Aren't you right now having your trouble on interest rate structure with the Federal Reserve of New York?

MR. BELL: No. Maybe they are the principal culprits, but I would say it is with the Open Market Committee.

H.M.JR: That again is New York.

MR. BELL: New York only constitutes one-seventh of that. Eccles is Chairman of the Open Market Committee. He would like to see a lowering of interest rates, but on certificate curve Eccles is with Sproul.

H.M.JR: Give this a thought over the week end, will you?

MR. BELL: Yes.

H.M.JR: We will talk about it again. You people think about it, see? Will you? That is just one phase of it.

This Baron that you are having come and see me--

MR. WHITE: Baron Boel. He wants to pay his respects and ask whether he can't negotiate a monetary agreement with the United States as they have done with England.

H.M.JR: I'll tell you what you do. You stay here, and after about three minutes--

MR. WHITE: It won't take you more than three minutes.

H.M.JR: Don't you think it's easier to say, "Come over and talk it over with me?"

MR. WHITE: I think it's easier--you know how to do it.

Harry White.

Secretary Morgenthau.

February 3, 1945

There is an editorial in today's Post called "Priming France" based on a speech by Mr. Grew in Philadelphia. Please have one of your bright young men take this and do a Reader's Digest job on it. Condense it for me. I'd like to have it by 12:30 today. Done

TREASURY DEPARTMENT

26

INTER OFFICE COMMUNICATION

DATE February 3, 1945

TO ~~Secretary Morgenthau~~ Mr. White

FROM ~~Mr. White~~ Mr Gunter

Subject: Editorial in Washington Post "Priming France".

1. The Post editorial makes the following points:

(a) Mr. Grew exaggerated the amount of U.S. assistance to the French civilian economy.

(b) The French requested 1 million tons of supplies per month for industrial requirements on a cash basis, and this program has been trimmed to 90 thousand tons.

(c) The Germans treated the French much better than we.

(d) We could assist the war effort by giving France the industrial materials for her to produce for military needs, and at the same time prevent unrest in France.

(e) The President is personally responsible and "the attitude of the President does not yet seem quite free from its old prejudice."

2. The actual situation is as follows:

(a) Under the military supply program for the French civilian economy (Plan A) the French are scheduled to receive about 225,000 tons of supplies from March 1, 1944 to March 1, 1945.

(b) The principal difficulty in getting civilian supplies to France has been the shipping shortage.

(c) Outside of Plan A the French submitted a program for the first six months of 1945 calling for some 1,200,000 tons of supplies from the United States. It was arranged several weeks ago that the French would get 6 ships carrying about 53,000 tons of supplies in January and 10 ships each during February and March carrying about 80,000 tons per month. Thus the French will receive supplies at a rate about 1/3 of what they requested.

The part under red line is not part of post editorial

(d) The French have agreed to pay cash for these goods but have made only token payments. They have recently refused to make cash payments until the lend-lease agreement is signed.

3. The desire to "prime" the French economy is a laudable one but it is obvious that to a considerable extent this desire conflicts with military necessity.

February 3, 1945

Herbert Gaston.

Secretary Morgenthau.

Wallace called me and asked me to include in my letter to the President the story today on the front page of the Washington Post about Martin and Jesse Wolcott and what they propose to do in the House. Include that clipping and bring him right up to date. If anything happens today we can include it also if it's in this afternoon's papers. Done

February 3, 1945

Dear Mr. President:

Not knowing what other information you may be getting, I think it may be well for me to tell you as I see it what is happening with regard to your nomination of Henry Wallace for Commerce.

Since the Senate on Thursday turned down by the narrowest of squeaks a motion to consider the nomination then and there and instead passed the George bill to take the loan agencies out of Commerce it seems to be pretty generally assumed that when Henry's nomination comes up again on March 1 he will be confirmed. Henry himself has doubts, which seem to be shared by some others. There are signs that the fight against him is continuing and there may be danger that over-confidence will lead the liberal forces into a trap. I think it can be fairly interpreted as a fight not only against Wallace personally, but also against the liberal and forward-looking character of your domestic program.

Today it is reported that Jesse Wolcott, who is minority leader in Banking and Currency in the House, is actively at work to forestall the possibility of your putting FEA, and particularly the Export-Import Bank, into Commerce. I am enclosing a clipping about this as well as a clipping from the Times about Thursday's events and the Record of that day. I should think, however, that Rayburn and McCormack ought to be able to beat off Republican amendments and pass the George bill as is, so that the Senate will not have a further crack at it. It seems highly important that they do that.

There have been emphatic public interest and reaction to the whole episode. At the beginning the anti-Wallace forces were highly articulate,

but since then there has been a strong expression of pro-Wallace opinion.

I hope you are well and are making satisfactory progress with the big matters you have on your hands.

Faithfully,

(Signed) Henry

The President,

The White House.

Enclosures.
Congressional Record of Thursday, Feb. 1.
Pages 699 through 730 (first section of the full record)

New York Times article of 2/2/45 by John Crider

Washington Post, 2/3/45 "House GOP Asks Tighter Wallace Curb"

Delivered to Mr Latta at the White by S. A. Agt Stringfellow at 1255 pm Feb 3, 1945.

The Washington Post
FEB 3 1945

House GOP Asks Tighter Wallace Curb

Fears Domination Of Export-Import Bank Through Place on Board

By Robert C. Albright

House Republicans yesterday moved to box in the fence the Senate built around Henry A. Wallace with George bill amendments designed to hold him at his desk as Secretary of Commerce, out of reach of international or domestic loan money.

Charging Wallace could "dominate" the policies of the Export-Import Bank as a member of its board of trustees, and could "use it to carry out his global social reforms," Representative Jesse P. Wolcott (R., Mich.) started drafting a new sheaf of restrictions.

Earlier, House Republican Leader Joseph W. Martin, jr., (R., Mass.), said he wanted to take back the President's wartime power to shift Government agencies around, lest he use it to build up Wallace's authority as Secretary of Commerce.

House Awaits George Bill

The Senate—passed George bill, divorcing RFC and other Federal loan agency functions from the Commerce Department Wallace was nominated to head, will go before the House Banking Committee on Tuesday, and Chairman Brent Spence (D., Ky.), predicted swift action.

Wallace's nomination meanwhile was being held on ice by the Senate until March 1, by which time Senate leaders figured the George separation-of-powers bill would be law, and Wallace could safely be confirmed in his "fenced-in" role.

Friends of the former Vice President indicated Wallace didn't relish very much what was happening to his Commerce powers, but still denied he would decline the stripped-down office.

"He wouldn't let his friends down," said one.

Wolcott, a House delegate to the Bretton Woods international conference, termed Wallace's possible Export-Import Bank role the chief oversight in the George bill, citing reports that the agency will shortly ask a billion and a half dollar increase in its present 700-million-dollar borrowing authority.

Bank Now Under FEA

The Export-Import Bank, although organized by the Secretaries of Commerce and State, is now under the supervision of the Foreign Economic Administration, but Wolcott said Wallace, as Secretary of Commerce, would sit on its board of trustees "and as the President's man I think he could dominate it."

"That agency can function as a bank anywhere in the world, making reconstruction, rehabilitation and stabilization loans," said Wolcott. "He could use it to carry out his economic and social philosophy."

Wolcott said he intended to offer an amendment not only restricting the authority of the Secretary as a member of the agency but also banning transfer by the President of the bank as a unit to the Commerce Department.

While the George bill lifts out all of the loan functions now under Commerce and prohibits the President from transferring them back again from the reestablished Federal loan agency, it does not block the President from shifting to Commerce loan functions not under it now.

Senator Harry F. Byrd (D., Va.) estimated that some 34 such Government agencies have an aggregate borrowing power of $16,876,772,500, about equal the RFC authority taken from Wallace.

He had an amendment already drawn in the Senate which would block their transfer to Wallace after he is confirmed as Secretary, but held it back. The Senate passed instead Byrd's tight audit clamp on RFC and all other wholly owned Government corporations.

Wolcott, with almost solid Republican support and some Democratic, indicated his amendment will include one similar to Byrd's original ban on transfer of loan powers to Wallace, and an even tighter audit authorization. In addition to Byrd's General Accounting Office check on wholly owned Government corporations, the Michigan Republican said he will propose a Comptroller General's audit of all corporations in which the Government owns more than 50 per cent of the stock.

House Banking Chairman Spence said he hadn't had a look at thet Wolcott proposals, but he was "inclined to think the Senate had gone about far enough in placing restrictions on Mr. Wallace."

"If we are going into all of these Government corporations, it's a big subject and I think it ought to be handled as separate legislation," said Spence.

The New York Times.
FEB 2 1945

Senate Adopts George Bill; Wallace Vote Off Till March

By JOHN H. CRIDER
Special to THE NEW YORK TIMES.

WASHINGTON, Feb. 1—The Senate, by a vote of 74 to 12, passed the George Bill today to separate the lending agencies from the Commerce Department and then, after receiving word that President Roosevelt would sign that measure, agreed to postpone action until March 1 on the confirmation of Henry A. Wallace for Secretary of Commerce.

But the most significant vote, which came early in the three-hour proceedings, was on a motion by Chairman Josiah W. Bailey of the Senate Commerce Committee to go into executive business session, the parliamentary requirement for consideration of the Wallace nomination itself. The motion was lost, 43 to 41.

Had the anti-Wallace forces won this motion, which they had expected to do, it was a foregone conclusion that the Wallace nomination would have been rejected. This narrow "victory" for the Administration, made possible only by a defection within Republican ranks plus tremendous pressure applied to the Democratic members individually and at a party conference lasting two hours just before the opening of the Senate, paved the way for passage of the George Bill.

Passage of the George Bill was further eased by the word from the President and support of the measure by Senator Alben W. Barkley, majority leader, who returned from Naval Hospital, where he had undergone eye treatment, to lead the battle on the Senate floor. The Senator was wearing a black patch over his left eye.

THE PRESIDENT'S MESSAGE

President Roosevelt's message to Senator Barkley, sent from out of the city through Samuel I. Rosenman, the President's counsel, said:

"In 1942 when I transferred certain functions of the Federal Loan Agency to the Department of Commerce by executive order, I provided that they should be returned to that agency six months after the conclusion of the war or sooner, if the President of Congress should decide upon an earlier date. Therefore, should the Congress return these functions to the Federal Loan Agency at this time by the George resolution, I would approve the measure."

The President's agreement thus to accede to the depriving of Mr. Wallace of the lending agencies, should he be confirmed as Secretary of Commerce, was regarded as a modification of his original intention on putting the former Vice President in command of both the agencies and the Commerce Department.

Senator Barkley, in supporting the George Bill, said it was his opinion that when the President transferred the loan agencies to the Commerce Department, with Jesse Jones in charge of both, it was "like taking money out of one pocket and putting in another pocket of the same pair of trousers."

Senator Lister Hill, majority whip, seemed to sum up the sentiment of the Wallace supporters when he said that he would vote for the George bill "because in politics necessity sometimes becomes a virtue, and I want to see Mr. Wallace confirmed as Secretary of Commerce."

Senator Robert A. Taft, Ohio, Republican, told the Senate that Administration support of the George bill showed that "Wallace and the Administration are afraid to submit his name to the Senate at loan administrator." The passage of the George bill proved, he said, that "the Senate hasn't faith in Henry Wallace."

When the Senate had completed action on the George bill, Senator Barkley moved to delay further consideration of the nomination of Mr. Wallace until March 1, backing up his motion with a reading of the President's message and a vigorous appeal to the patriotism of his colleagues.

World Parley Called Factor

"As we all know," he declared, "the President is on the verge of a very important conference that may hold the fate of our nation and the world in its hands, and I am sure that no Senator is desirous to do anything that would be misinterpreted by other nations who will be engaged in that conference or be misinterpreted by other nations of the world as to the attitude of our own Congress in regard to the President's full authority and backing by us in dealing with these other nations in this important conference."

In addition to conveying word that the President would approve the George bill, Mr. Barkley said that he had "every reason to believe that the House of Representatives will act upon the George bill promptly and favorably."

Senator Barkley indicated that the message from the President reached him just before he announced it. He did not have it when the proceedings opened and the Bailey motion came up.

Senator Taft drew hisses, boos and cheers from the gallery when, in agreeing to the delay, he said:

"The Senate will have full time to consider the remarkable repudiation of the great majority of the Senate of Mr. Wallace's qualifications to hold an important office in the Government."

The George bill, as passed by the Senate, included an amendment by Senator Harry F. Byrd of Virginia to require an annual audit by the general accounting office of the Reconstruction Finance Corporation and the other loan agencies now under the Commerce Department.

The amendment, the result of extensive study of Government corporations by Senator Byrd's Committee on Reduction of Non-Essential Federal Expenditures, would provide for the first audit in the year current with passage of the bill.

Wallace Withholds Comment

Mr. Wallace, asked for comment on the Senate action, said:

The New York Times.
FEB 8 1945

"It seems inappropriate for me to make any comment until March 1."

The prospect of Senate consideration of the Wallace matter brought a record crowd to the gallery, with long lines of would-be spectataors extending down hallways outside the gallery doors. The gallery was filled throughout the proceedings, with many standing behind the seats against the walls.

Word came fro mthe Democratic caucus that Mr. Barkley and other Wallace supporters had been unable to sway Senator Bailey from his intention of moving for consideration of the executive calendar. It seemed, as the Senate convened, that the anti-Wallace group still had the votes they had been boasting to bring up the nomination before the George Bill, and reject it.

Senator Returns to Hospital

Both factions did all they could to fill the seats on both sides of the Chamber. Even Senator James G. Scrugham, Nevada Democrat, who has been ill in Naval Hospital for many weeks, was wheeled to the Senate doors and assisted to his seat so that he could vote for the Bailey motion. He returned to the hospital after voting.

The proceedings began about 12:30 when Senator Bailey made his motion. Senator Barkley then served notice, by way of parliamentary inquiry, that the George bill would be the next order of business following action on the Bailey motion.

It became immediately apparent as the roll was called on the Bailey motion that there weer unexpected defections within the Republican ranks. The name of Senator George D. Aiken, Vermont Republican, the first called, brought a surprising "nay." The second Republican called and present, Senator Warren B. Austin, also of Vermont, gave another "nay."

Senator Taft had voted for the motion, but following the vote carefully, and seeing that the result was to be a tie, which would have meant that Vice President Harry S. Truman would have resolved it in favor of the opponents of the motion, Mr. Taft changed his vote to "nay" at the end of the roll-call and asked Senator Barkley to yield so he could move for reconsideration.

Parliamentary Move Involved

It appeared to some watchers in the gallery that Senator Barkley did yield, but when Senator Taft then moved for reconsideration—by means of which he could have voted again and perhaps have changed other votes—Senator Barkley paid no attention to him. Senator Taft appealed to the chair and the Vice President ruled that he would recognize Mr. Taft only if Mr. Barkley yielded. But Mr. Barkley did not yield.

The decisive vote on the Bailey motion divided the Senate this way: the forty-three opposing votes included thirty-two Democrats, one Progressive and ten Republicans, while the forty-one favorable votes included fifteen Democrats and twenty-six Republicans. It had been expected that at least thirty Republicans would support this motion. The vote was 42 to 42 until Senator Taft changed his own vote.

The majority leader, apparently confused following the Taft episode, moved to go back to legislative business, but reminded that the Senate had never gotten to executive business, he then moved for consideration of the George bill, on which motion the vote was favorable by 83 to 2. The negative voters were Senators Tom Stewart, Tennessee Democrat, and John Thomas, Idaho Republican.

Senator Walter F. George, Georgia Democrat, chairman of the Finance Committee and sponsor of the legislation before the Senate, described his measure as he had done at public hearings before the Commerce Committee, stating that his bill was not motivated by the Wallace nomination.

Committee's Work Stressed

He said that the Byrd committee, of which he is a member, had been working on legislation along these and other lines to improve control over the loan corporations for sometime before Mr. Wallace's nomination.

Senator Joseph C. O'Mahoney of Wyoming, asked Senator George if there should not be some provision for combining all of the Government corporations in the independent Federal Loan Agency so that the Congress could more carefully control their operations.

Senator George replied that the only reason he had not included the others was that to have brought in corporations not now under the Commerce Department would have raised a jurisdictional question. The Commerce Committee had his bill under consideration and could not properly consider matters not related to the department, he added.

"I don't believe any Cabinet officer should be clothed with these vast powers which so vitally affect the whole economy and can so greatly affect our whole social and political life," Senator George asserted.

Mr. Barkley, speaking for the bill, called upon Congress to decide in the near future what kind of operations it wanted the RFC and its affiliated lending agencies to undertake in the post-war economy. He said that collateral or reasonable assurance of repayment was required from borrowers under the present law.

Barkley Raises Question

Senator Barkley said that he thought the time had come when the Congress should consider whether it wanted to revamp the powers and purposes of the RFC so that it could deal primarily with social instead of financial questions.

As to one man holding both positions as head of the lending agencies and of the Commerce Department, the Majority Leader said that he had always thought, even when Mr. Wallace was head of the old Board of Economic Warfare at the time of his first public controversy with Jesse Jones, that the job of Vice President was big enough for any man, and he believed the same about the Commercial Cabinet post.

"It is a full-time job," he said. "That was my opinion two years ago and it is my opinion now."

Thus, he said, as had Senator George, that his attitude on the George bill was not related to the nomination of Mr. Wallace.

Senator Barkley, apparently in the best of health and spirits, told an inquiring Republican member that the doctors had told him he had to wear the patch over his eye to protect it from the wind, "and so I thought I'd better wear it in the Senate."

Senator Taft said that while he was "always in favor of scattering power whenever I can" he did not think the George bill would accomplish any purpose because, while the "obvious" reason for the bill was to "limit Henry Wallace," it was "a vain effort" because under his war powers the President could transfer to him almost anything he pleased.

War Powers Act Brought Up

"The only possible reason for passage of this bill," said Senator Taft, "is that the Senate hasn't faith in Henry Wallece; it doesn't believe in his philosophy, it doesn't trust him."

Senator Taft said he had seen no evidence that the Senate was disposed to take away any powers from the President and added that "what we are attempting is wholly vain unless we repeal the War Powers Act."

Senator Hill said there was no question involved of Mr. Wallace being incompetent, but rather the fact "that he is too competent and effective" for those whose views differed from those Mr. Wallace held.

Senator Taft retorted that he thought the bill "shows the entire lack of confidence in the ability and philosophy of Henry Wallace."

Senator Aiken, who proposed an amendment for "a simple audit of the RFC at the end of each year by the Controller General," yielded

The New York Times.
FEB 8 1945

to Senator Byrd, who offered his amendment to provide for a rigorous audit by the Controller General each year, and to give the Controller General specific authority to go into all the records of the RFC and the other corporations not now audited by the GAO, of which there are thirty-six, and to provide for annual reports to the Congress on the results of these audits. Twenty other Federal corporations already are subject to GAO auditing.

The amendment would specifically direct the Controller General to include "a report of any impairment of capital noted in the audit and recommendations for the return of such Government capital or the payment of such dividends as, in his judgment, should be accomplished," and to call attention to any financial undertaking "made without authority of law."

The Byrd amendment was added to the George bill by what appeared to be a unanimous voice vote. An amendment also was accepted from Senator Richard R. Russell, Georgia Democrat, to assure the GAO of reimbursement for the cost of making the audits.

Senator Byrd's amendment was jointly sponsored by Senator Hugh Butler of Nebraska, who became interested in the Federal corporation problem and worked with Senator Byrd on it.

United States of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 79th CONGRESS, FIRST SESSION

Vol. 91 WASHINGTON, THURSDAY, FEBRUARY 1, 1945 No. 19

Senate

The Chaplain, Rev. Frederick Brown Harris, D. D., offered the following prayer:

Eternal God, giver of all spiritual grace, author of everlasting life, we come today with a strange yearning, for there is a lonesome place against our sky. Thou knowest that upon our spirits is the sadness of farewell as we think of a loved, familiar, stalwart form who will walk with us no more. We mourn the passing from our side and sight of one who seemed to gather into his own noble bearing the long traditions of this shrine of people's faith and hope. We think in tender recollection of one who literally gave his life to public service, who from early youth in the ascending roles of duty built the strength of his manhood into the vast concerns of this body. Now he has answered the one clear call. On this very afternoon, when all that is mortal is being lowered to rest in his native soil, in our hearts we would honor his cherished memory, "who more than self his country loved, and mercy more than life."

We remember that the daily petition of the sessions here was the most sacred religious altar of his own devotion. We think of him entering this Chamber at the daily call to prayer, standing here for so many years at noontide, years of peace and of war, in times of calmness and of contention, listening with reverent heart and bowed head as the divine sovereignty was recognized and divine help implored for the deliberations of this Chamber where his highest joy was centered and whose faithful servant he was.

Now that we shall see his face no more, in grateful remembrance we recall his genius for friendship and the qualities of mind and heart which lifted his human understanding and sympathies so far above mere partisan interests and loyalties. It stills our hearts to know that—

"He cannot be where God is not,
On any sea or shore;
Whate'er betides, Thy love abides,
Our God, forevermore."

In the name of that One who conquered death and is the resurrection and the life. Amen.

ATTENDANCE OF A SENATOR

JAMES G. SCRUGHAM, a Senator from the State of Nevada, appeared in his seat today.

THE JOURNAL

On request of Mr. HILL, and by unanimous consent, the reading of the Journal of the proceedings of Monday, January 29, 1945, was dispensed with, and the Journal was approved.

THE LATE COL. EDWIN A. HALSEY

Mr. AUSTIN. Mr. President, on behalf of the Republican conference and the committee appointed by it, I desire to present a resolution relating to the passing of Colonel Halsey. It is as follows:

Whereas Col. Edwin Alexander Halsey, the Secretary of the Senate, died on the 29th of January 1945, the Republican conference of the Senate, in session on that day, thereby saddened, and affected by a sense of great loss: Therefore

Resolved, To express hereby, and record, the esteem and honor in which its members collectively perpetuate his memory:

Edwin Alexander Halsey was born at Fern Moss, Tye River, Nelson County, Va., September 4, 1881.

At his untimely death he had served his country in the United States Senate with extraordinary efficiency and consideration for its Members, regardless of party affiliation, for more than 47 years.

This service had included different posts, such as page, assistant in the Press Gallery, assistant to the majority secretary on the floor, majority secretary on the floor, and Secretary of the Senate since March 9, 1933.

He was an author of numerous articles relating to the history and current life of the Senate which were published in magazines and newspapers. Under his direction there were published valuable official documents, among others:

1. Development of United States Foreign Policy. Addresses and Messages of Franklin D. Roosevelt (S. Doc. No. 188, 77th Cong., 1942).

2. Domestic Stability, National Defense, and the Prosecution of World War No. 2. Legislative and Executive Background 1933–44 (S. Doc. No. 224, 78th Cong., 1944).

3. The Electoral College (S. Doc. No. 243, 78th Cong., 1944).

4. Enactment of a Law. Procedure on a Senate Bill (S. Doc. No. 153, 73d Cong., 1934, and later editions).

5. Factual Campaign Information (1944 and earlier editions).

6. Manner of Selecting Delegates to National Political Conventions With Information on States Holding Presidential Primaries (1944).

7. Proposed Amendments to the Constitution of the United States Introduced in Congress from December 6, 1926, to January 3, 1941 (1941).

8. Senate Election Cases From 1913 to 1940 (S. Doc. No. 147, 76th Cong., 1940).

9. Veto Messages, 1889–1941 (1941).

He was also the author of many articles relating to the history and background of the Senate published in magazines and in newspapers.

The memory of Colonel Halsey is treasured because he dealt with his fellow man with a gentleness and charm which was the natural expression of his character. His genuine friendship was helpful to many when they needed a friend, and it was a delight at all times to Senators with whom he served.

The Republican conference of the Senate expresses its profound sympathy to his widow, Mrs. Halsey, and to their son, Lt. Edwin A. Halsey, Jr. It directs that this memorial be sent to them, and requests unanimous consent that it be published in the CONGRESSIONAL RECORD.

By its committee:

Mr. AUSTIN, of Vermont, *Chairman*.
Mr. CAPPER, of Kansas.
Mr. WILEY, of Wisconsin.

The VICE PRESIDENT. The resolution presented by the Senator from Vermont on behalf of the Republican conference will be printed in the RECORD.

Mr. BARKLEY. Mr. President, last Monday when the Senate received the announcement of the death of the Secretary of the United States Senate I was unable to be present to join in the brief tributes which were paid to him on that day. I desire now in only a few words to express my feelings in regard to the public service and the public life of Col. Edwin A. Halsey and my profound sorrow at his premature and untimely death.

It is given to few men to serve in the public interest as long as Colonel Halsey served. Coming here as a page boy under the appointment, I believe, of his uncle, former Senator John W. Daniel, of the State of Virginia, he served in one capacity and another a total of 48 years, I think, continuously. In every position of public trust which he occupied from the day when he came into this Chamber as a boy in knee trousers until he died last

Monday he distinguished himself by devotion to duty, and by a high conception of his obligation to the Senate and to the country and to good government, no matter whether the station which he occupied was humble or high.

I believe that if any man exemplified the Christian virtues of fellowship and love for his fellow man, Colonel Halsey exemplified those virtues in an outstanding degree.

We all witness throughout the years his courtly attitude and his conduct toward Senators without regard to partisanship, and toward all the employees of the Senate, down to the page boys occupying a station once held by him.

In his activities in behalf of the political party of his choice, in his activities as a citizen of the State of Virginia, in his activities as a man, Ed Halsey measured up so completely to all the requirements and heavy obligations as any man who ever served the public within my knowledge or recollection.

I mourn his death as a public servant, as the Secretary of the Senate, but I mourn it as a friend also.

Always alert in his attention to the duties of the position which I temporarily occupy here, always alert to the physical, moral, and spiritual aspects of the high dignity of the Senate of the United States, his death is a severe loss to us in any capacity in which we may regard him. His place will not be easy to fill officially or personally.

For his memory we shall always cherish the greenest of recollections and appreciation.

May God bless his soul and keep him unto the eternal day.

READING OF WASHINGTON'S FAREWELL ADDRESS

The VICE PRESIDENT. Under the order of the Senate of January 24, 1901, the Chair designates the Senator from New Jersey [Mr. SMITH] to read Washington's Farewell Address to the Senate on February 22 next.

DISPOSITION OF EXECUTIVE PAPERS

The VICE PRESIDENT laid before the Senate a letter from the Archivist of the United States, transmitting, pursuant to law, a list of papers and documents on the files of several departments and an agency of the Government which are not needed in the conduct of business and have no permanent value or historical interest, and requesting action looking to their disposition, which, with the accompanying papers, was referred to a Joint Select Committee on the Disposition of Papers in the Executive Departments.

The VICE PRESIDENT appointed Mr. BASKLEY and Mr. BREWSTER members of the committee on the part of the Senate.

BOARD OF VISITORS TO THE UNITED STATES MILITARY ACADEMY

Mr. McKELLAR. Mr. President, at the request of the senior Senator from Virginia (Mr. GLASS) I make a report to the Senate of two Senators appointed by the Senator from Virginia, as chairman of the Committee on Appropriations, to visit West Point. The designation by the Senator from Virginia is as follows:

UNITED STATES SENATE.

To the Senate:

By virtue of the authority vested in me by the act approved May 17, 1928, I hereby appoint the Senator from Oklahoma [Mr. THOMAS] and the Senator from Arkansas [Mr. HAYDEN] to represent the Senate Appropriations Committee on the Board of Visitors to the United States Military Academy during the remainder of the Seventy-ninth Congress.

CARTER GLASS,
Chairman, Senate Committee on Appropriations.

THE ST. LAWRENCE SEAWAY AND CHAMPLAIN CUT-OFF—RESOLUTION OF BURLINGTON (VT.) CHAMBER OF COMMERCE

Mr. AIKEN. Mr. President, I submit to the Senate a letter from the executive secretary of the Burlington (Vt.) Chamber of Commerce in which it is stated that the board of directors of the chamber of commerce unanimously favor the completion of the St. Lawrence seaway and the Champlain cut-off. I ask that the letter embodying the resolution be printed in the RECORD and appropriately referred.

There being no objection, the letter embodying the resolution was referred to the Committee on Commerce and ordered to be printed in the RECORD, as follows:

BURLINGTON CHAMBER OF COMMERCE,
Burlington, Vt., January 27, 1945.

Senator GEORGE D. AIKEN,
Senator from Vermont,
Senate Office Building,
Washington, D. C.

DEAR SENATOR AIKEN: The following resolution was unanimously adopted by our board of directors at the meeting of Friday, January 26, 1945:

"Whereas the St. Lawrence seaway would open this Nation's ports on the Great Lakes to most of the freight-carrying vessels of the world, thus furthering the already favorable competitive position in world trade of our great industries of the Middle West; and

"Whereas the Champlain cut-off as an integral part of the seaway would considerably shorten distances, reduce hazards, and lower costs of shipping between Great Lakes ports and our east coast ports; and

"Whereas such a development would, in our considered opinion, encourage certain industries, requiring low-cost shipping for heavy or bulky raw materials or finished products, to locate in this area; and

"Whereas additional hydroelectric power might be made available in this area, thus making this location even more attractive to new industry; Now, therefore, be it

"Resolved, That this chamber go on record as urging the Congress of these United States to give further serious consideration to appropriate and enabling legislation in order that the project, including the Champlain cut-off, may become a reality; be it further

"Resolved, That copies of this resolution be delivered immediately to the Senators and Congressmen from Vermont."

Sincerely yours,
CHARLES E. TOWNSHEND,
Executive Secretary.

SEPARATION OF DEPARTMENT OF COMMERCE AND THE R. F. C.—NOMINATION OF HENRY A. WALLACE

Mr. AIKEN. Mr. President, I also wish to read a brief telegram just received from the president of the Vermont State Farm Bureau, of Burlington, Vt. The telegram is as follows:

BURLINGTON, VT., *January 31, 1945.*

Senator GEORGE AIKEN,
George Washington Inn:

Directors of the Vermont State Farm Bureau at Montpelier today recommended that the R. F. C. be separated from the Department of Commerce and that the R. F. C. be administered by a commission of three, the Secretary to be ex officio member of the commission. The directors further voted in favor of Henry Wallace as Secretary of Commerce.

ARTHUR PALMER.

I may state, Mr. President, that the Vermont State Farm Bureau is an organization of approximately 10,000 farm families in my State. I request that the telegram be appropriately referred.

The VICE PRESIDENT. The telegram presented by the Senator from Vermont will lie on the table.

RESOLUTIONS OF THE KANSAS STATE BOARD OF AGRICULTURE

Mr. CAPPER. Mr. President, I have received resolutions adopted by the seventy-fourth annual meeting of the Kansas State Board of Agriculture on January 12, 1945, which suggest a number of important recommendations with respect to the western-farm program. I ask unanimous consent to have the resolutions printed in the RECORD and appropriately referred.

There being no objection, the resolutions were referred to the Committee on Agriculture and Forestry and ordered to be printed in the RECORD, as follows:

WAR

Grimly we enter another year of global conflict. Our first and only immediate job is to win the war. We rededicate ourselves to this ghastly business as the only hope of a better world through victory that will secure lasting peace to a bewildered people. We again freely pledge all of our resources and utmost efforts to that end.

AGRICULTURAL POLICY MAKING

We again insist that producer representation and opinion be fully recognized in developing national and international policies concerning production and distribution of agricultural commodities, and that the farm industry be represented on any agencies dealing with these all-important problems, as well as at peace conferences.

WORLD TRADE IN WHEAT

In view of the fact that United States wheat exports from 1918 to 1940 averaged over 152,000,000 bushels annually, we are unable to subscribe to the proposal of the International Wheat Council that our share in the world post-war trade in this bread grain be limited to 72,000,000 bushels a year. Compliance with such terms would necessitate drastic restrictions on plantings throughout the main Wheat Belt of the Nation.

WORLD ADMINISTRATION

While recognizing the need for some international organization to guide world affairs, we strenuously object to the United States becoming the paying member of any group so formed. News which reaches the grassroots indicates that other nations are long on plans and authority but hesitant on supplying cash to activate supervision. Let us be forever mindful of our own interests, for what is our country profited if it shall succeed

the whole world and lose its rightful heritage through impoverishment?

"FILLER" MILK

We hail as epochal the recent unanimous decision of the United States Supreme Court in upholding the State supreme court and the Kansas dairy law prohibiting sale within the State of milk in which vegetable oils have been substituted for natural butterfat. The successful prosecution of this case by the State board of agriculture gives a needed sense of security not only to dairy investors everywhere but as well to public health.

FARMS FOR RETURNING WAR VETERANS

Much is currently being said about establishing returning servicemen on farms. Such cases must, of course, be handled individually, but we think it prudent to warn that there is no new land not already included in our farms and that in general men and boys of farm backgrounds and experience will have the greatest chance of making a success of this question.

MISSOURI RIVER DEVELOPMENT

We endorse the proposed development of water resources in the Missouri River Basin under plans prepared and works constructed and operated by existing Federal agencies—the Army engineers and United States Bureau of Reclamation, in cooperation with the several States, all of which are directly responsible to the people for their actions in these matters, and thus hold inviolate the fundamental principles upon which our Federation of States was founded.

WATER USE

There is urgent need for legislation that provides a system for appropriation of water for beneficial purposes. A recent court decision left Kansas without any effective statutory procedure for the appropriation of water and without Administrative procedure for the initiation and perfection of water rights.

We appreciate the work done by the Governor's committee on appropriation of water in studying this matter, and ask that the committee's proposed legislation be introduced into the legislature after the public has been informed of the provisions of the proposed bill, such publicity to be made through the Kansas press.

ROADS AND HIGHWAYS

Under war stress it has been impossible to keep Kansas roads and highways up to their normal condition or to add to the mileage already improved. We favor prompt, long-time planning to the end that these arteries of commerce be restored, extended, and made adequate and safe for post-war traffic.

Agriculture is a primary industry in Kansas and for that reason farm-to-market roads should be given primary consideration.

FLOUR ENRICHMENT

Kansas is the premier wheat-producing State—our mills turn out more flour than those of any other State; thus Kansas flour is an important article of commerce—its acme form, it is eaten universally. While not chargeable alone to wheat production, certain elements are said to be lacking in the national diet, and bread is considered the most logical item to fortify in these respects. We favor such enrichment additions to Kansas flour as will adequately protect the health of consumers, and which, at the same time, will assure this Kansas wheat product its preeminent position in channels of trade.

PACKAGE WEIGHTS OF WHEAT AND CORN PRODUCTS

In order to establish uniform package weights for wheat and corn flours, corn meal, hominy, and hominy grits throughout the United States, we are in favor of Kansas legislation which will preserve weights which may be offered for sale in subdivisions, maximum. But weights of 2, 5, 10, 25, 50, 100, and multiples of 100 pounds are proposed, and these should meet ready acceptance among consumers.

SUTURE SABOTAGE

We are amazed at the advice proffered by an economic economist of the United States Department of Agriculture, who, in a recent agricultural outlook conference at Washington, is quoted as saying that it is time for this country to find another spread for its bread and use milk for its food value and not for butter. Butter is the balance-wheel of the dairy industry and provides a profitable market for millions of small producers who otherwise would be forced out of the dairy business because of a lack of available markets for whole milk. Substituting vegetable fats for butter is not practical from a Kansas dairyman's economic viewpoint. The counselor's plan is impractical. If the criticism is made on the grounds that there is not enough milk and butter to supply the demand, then the obvious answer is to produce more of both.

PREDATORY ANIMALS

Despite increased bounty payments made for coyote scalps, these predatory animals increase in number and continue to inflict heavy losses to livestock and poultry raisers of the State. We believe additional means of eradication should be authorized by the legislature if these pests are to be properly restricted—either an organized plan of cooperation between the State and the Fish and Wildlife Service of the United States Department of the Interior, or else a State agency charged with the control of these predatory animals.

KANSAS SCHOOLS

We want Kansas to be a leader in education and we favor legislation which will broaden the tax base for elementary and high school support and thus insure better educational opportunities for Kansas boys and girls. We urge that the legislature provide ways and means to insure sufficient funds for our State schools of higher education, and that the various student fees be eliminated.

WHEAT VARIETIES

The wheat variety problem is growing in seriousness in Kansas and constitutes a direct threat to the reputation and future prosperity of the State's wheat industry. Revision, modification, or supplementing of present grade standards seems advisable.

DAYLIGHT SAVING TIME

We believe that for the best interest of the Kansas farmer, daylight saving time should be abolished.

PROHIBITION OF THE TRANSPORTATION OF BEVERAGE LIQUOR

Mr. REED. Mr. President, I ask unanimous consent to have printed in the RECORD a letter in the nature of a petition I have received, addressed to the War Mobilization Director, signed by Mrs. Fred Kirkpatrick and 23 other citizens of Dodge City, Kans., expressing views upon some policies now being followed.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

JANUARY 20, 1945.

To the Honorable JAMES F. BYRNES,
War Mobilization Director,
Washington, D. C.:

We the undersigned, parents and friends of some in the armed services, commend your action stopping dog and horse racing as an aid to the war effort by conserving transportation and manpower.

We endorse your suggestion to restrict all large conventions to relieve our overcrowded railroads by reducing travel and dim-out of electric advertising to save coal.

We observe the President's request for universal manpower control by law and also his order to General Hershey to draft farm labor.

Though working long hours the farm industry is now dangerously understaffed, farm foods, meats, canned goods, sugar, etc., cannot now be brought freely. Shoes, cotton goods, lumber, hardware, farm implements, and other essential necessities are also scarce. However, it is possible to buy beer and liquor at all hours without restriction. Railroads and farm producers have to date done a magnificent job but face the possibility of a break-down.

We, therefore, in behalf of our men under arms; respectfully petition; to aid the manpower shortage; to relieve overburdened carriers; to help our understaffed farms; that you immediately order all beverage liquor transportation stopped, just as you have stopped racing.

MRS. FRED KIRKPATRICK,
(And 23 other citizens of Dodge City, Kans.)

REPORTS OF THE COMMERCE COMMITTEE DURING ADJOURNMENT

Under authority of the order of the 29th ultimo,

LEGISLATIVE REPORT

Mr. BAILEY, from the Committee on Commerce, to which was referred the bill (S. 272) to provide for the effective administration of certain lending agencies of the Federal Government, reported it on January 31, 1945, with an amendment, and submitted a report (No. 36) thereon.

He also, from the same committee, on January 31, 1945, reported favorably the following nominations:

Raymond M. Stone to be junior hydrographic and geodetic engineer with rank of lieutenant (junior grade) in the Coast and Geodetic Survey from December 16, 1944;

Sundry boatswains, gunners, machinists, and pay clerks for promotion in the United States Coast Guard; and

Electrician Rolla W. Simcoxon to be chief electrician in the United States Coast Guard, to rank from March 1, 1942.

EXECUTIVE REPORTS

Mr. BAILEY, also from the Committee on Commerce, on January 31, 1945, reported adversely the nomination of Henry A. Wallace, of Iowa, to be Secretary of Commerce and submitted a report (Ex. Rept. No. 1) thereon.

REPORTS OF COMMITTEES

The following reports of committees were submitted:

By Mr. BLANDER, from the Committee on Claims:

S. 418. A bill for the relief of Marion Beller; with an amendment (Rept. No. 31).

By Mr. BANKHEAD, from the Committee on Banking and Currency:

S. 288. A bill to continue Commodity Credit Corporation as an agency of the United States, increase the borrowing power, revise the basis of the annual appraisal of its assets, and for other purposes; with amendments (Rept. No. 32).

By Mr. MURDOCK, from the Committee on Banking and Currency:

S. Res. 20. Resolution continuing Senate Resolution 187, Seventy-fourth Congress, agreed to August 15, 1935, as amended by Senate Resolution 261, Seventy-seventh Congress, agreed to June 29, 1942, relative to the

Silver Purchase Act of 1934; with amendments (Rept. No. 58); and, under the rule, the resolution was referred to the Committee to Audit and Control the Contingent Expenses of the Senate.

By Mr. THERNON, from the Committee on Public Buildings and Grounds:

H. R. 1427. A bill relating to the compensation of telephone operators on the United States Capitol telephone exchange; without amendment.

BILLS INTRODUCED

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. CORDON:

S. 427. A bill to repeal section 8 of the act approved April 18, 1938, as amended, relating to hops; to the Committee on Agriculture and Forestry.

S. 428. A bill to confer jurisdiction upon the Court of Claims to hear, determine, and render judgment upon the claim of the Forest Lumber Co.;

S. 429. A bill to confer jurisdiction upon the Court of Claims to hear, determine, and render judgment upon the claim of the Lamm Lumber Co.; and

S. 430. A bill to confer jurisdiction upon the Court of Claims to hear, determine, and render judgment upon the claim of the Algoma Lumber Co.; to the Committee on Claims.

By Mr. BURTON:

S. 431. A bill for the relief of the Manger Construction Co.; to the Committee on Claims.

By Mr. SHIPSTEAD:

S. 432. A bill to increase the period of limitation on actions against railroad carriers for recovery of overcharges from 2 to 4 years; to the Committee on Interstate Commerce.

S. 433. A bill to amend the National Housing Act, as amended, so as to eliminate the requirement that not less than 15 percent of the principal of insured mortgages upon farm property be expended for improvements; to the Committee on Banking and Currency.

S. 434. A bill providing for Federal aid to States for the acquisition of toll bridges; to the Committee on Post Office and Post Roads.

S. 435. A bill for the relief of Mrs. Susanna Gibson; to the Committee on Pensions.

By Mr. THOMAS of Oklahoma:

S. 436. A bill to equalize State old-age assistance payments and to provide burial allowances under title I of the Social Security Act; to the Committee on Finance.

S. 437. A bill for the relief of W. S. Burleson; and

S. 438. A bill authorizing the Secretary of the Interior to partition certain lands in Cleveland County, Okla., and for other purposes; to the Committee on Indian Affairs.

By Mr. WALSH:

S. 439 (by request). A bill to authorize the appointment of graduates of the United States Merchant Marine Academy, or any of the five State Maritime Academies, to the line of the Regular Navy; to the Committee on Naval Affairs.

(Mr. MURRAY introduced Senate bill 440, which was referred to the Committee on Irrigation and Reclamation, and appears under a separate heading.)

By Mr. CAPPER:

S. 441. A bill granting an increase of pension to Tina Hanson; and

S. 442. A bill to increase the rate of pension for widows of Spanish-American War veterans from $30 to $45 a month; to the Committee on Pensions.

By Mr. McFARLAND:

S. 443. A bill to authorize the Secretary of Agriculture to continue administration of Casa Grande Valley Farms project, Arizona, pending disposal thereof, and for other purposes; to the Committee on Agriculture and Forestry.

S. 444. A bill to reinstate Walter C. Smith with the rank of first lieutenant and to authorize his retirement; to the Committee on Military Affairs.

By Mr. BUTLER:

S. 445. A bill for the relief of Herman Platt; to the Committee on Claims.

AMENDMENT OF RECLAMATION PROJECT ACT OF 1939

Mr. MURRAY. Mr. President, I introduce a bill for appropriate reference. This is a bill to amend the Reclamation Project Act of 1939, and I ask to have the bill printed in the RECORD together with an explanation of the purposes of the proposed legislation.

The VICE PRESIDENT. Without objection, it is so ordered.

The bill (S. 440) to amend the Reclamation Project Act of 1939, introduced by Mr. MURRAY, was read twice by its title, referred to the Committee on Irrigation and Reclamation, and ordered to be printed in the RECORD, as follows:

Be it enacted, etc., That section 1 of the act of August 4, 1939, entitled "An act to provide a feasible and comprehensive plan for the variable payment of construction charges on United States reclamation projects, to protect the investment of the United States in such projects, and for other purposes" (53 Stat. 1187), as amended, is hereby amended to read as follows:

"SECTION 1. That (a) for the purpose of providing for United States reclamation projects a feasible and comprehensive plan for an economical and equitable treatment of repayment problems and for variable payments of construction charges which can be met regularly and fully from year to year during periods of decline in agricultural income and unsatisfactory conditions of agriculture as well as during periods of prosperity and good prices for agricultural products, and which will protect adequately the financial interest of the United States in said projects, obligations to pay construction charges may be revised or undertaken pursuant to the provisions of this act; and (b) for the purpose of providing opportunities for settlement on productive, owner-operated farms by returning servicemen, emergency industrial workers, and others, the Secretary of the Interior is authorized to investigate, plan, design, construct, settle, develop, operate, and maintain, in the humid as well as arid areas of the United States, projects for reclaiming lands, including logged or cut-over lands, by drainage or by land clearing."

Sec. 2. (a) Subsections (c) and (g) of section 2 of said act of August 4, 1939 (53 Stat. 1187), as amended, are hereby amended to read, respectively, as follows:

"(c) The term 'project' shall mean any reclamation or irrigation project, or any project for reclaiming lands, including logged or cut-over lands, by drainage or by land clearing, including incidental features thereof, authorized by the Federal reclamation laws, or constructed by the United States pursuant to said laws, or in connection with which there is a repayment contract executed by the United States pursuant to said laws, or any project constructed or operated and maintained by the Secretary through the Bureau of Reclamation for reclaiming lands by irrigation or drainage or other means.

"(g) The term 'organization' shall mean any conservancy district, irrigation district, water users' association, drainage district, or other organization, which is organized under State law and which has capacity to enter into contracts with the United States pursuant to the Federal reclamation laws."

(b) Section 2 of said act of August 4, 1939 (53 Stat. 1187), as amended, is hereby amended by adding thereto subsection (i) reading as follows:

"(i) The term 'water users' shall include the beneficiaries, as determined by the Secretary, of any project for reclaiming lands by drainage or by land clearing."

Sec. 3. Subsection (a) of section 8 of said act of August 4, 1939 (53 Stat. 1187), as amended, is hereby amended to read as follows:

"Sec. 8. (a) The Secretary is hereby authorized and directed in the manner hereinafter provided to classify or to reclassify from time to time but not more often than at 5-year intervals, as to irrigability and productivity, or, in the case of other than irrigation projects, as to productivity alone, those lands which have been, are, or may be included within any project."

Sec. 4. Section 9 of said act of August 4, 1939 (53 Stat. 1187), as amended, is hereby amended by adding thereto subsections (f), (g), and (h) reading, respectively, as follows:

"(f) In connection with any project for reclaiming lands, including logged or cut-over lands, by drainage or by land clearing, the findings to be made by the Secretary under subsection (a) of this section shall include also findings on (1) the part of the estimated cost which can properly be allocated to drainage or land clearing and probably be repaid by the beneficiaries of the project; (2) the classes of landholders and land users who can properly be regarded as beneficiaries of the project and the manner in which the construction charges should be distributed among them; and (3) the part of the estimated cost which can properly be allocated to Federal responsibilities in connection with the public health or other matters of general public benefit.

"(g) No construction or any project, division of a project, or supplemental works on a project, for reclaiming lands by drainage or by land clearing shall be undertaken until an organization, satisfactory in form and powers to the Secretary, or, where no such organization is in existence, individual beneficiaries of the project, whose qualifications and responsibilities are satisfactory to the Secretary, shall have entered into a repayment contract or contracts with the United States, in form and substance satisfactory to the Secretary, providing, among other things—

"(1) that the part of the reimbursable construction costs allocated by the Secretary to drainage or land clearing shall be included in a general repayment obligation of the organization or individual beneficiaries; that, where the contract is with individual beneficiaries, the repayment obligation shall be secured by a first lien on the reclaimed land or in such other manner as the Secretary deems to be in the best interests of the United States, but no lien so created shall render any land subject thereto legally ineligible as security for any loan otherwise authorized to be made or guaranteed by any agency of the United States for the repayment of which reasonable security exists, giving due consideration to the amount and terms of such lien; and that, where the contract is with an organization, the distribution of construction charges may be varied by the organization in a manner that takes into account the productivity of the various classes of lands and the benefits accruing to the lands by reason of the construction: *Provided*, That no distribution of construction charges over the lands included in the organization shall in any manner be deemed to relieve the organization or any party or any land therein of the organization's general obligation to the United States;

"(2) that the general repayment obligation of the organization or individual beneficiaries shall be spread in annual installments, of the number and amounts fixed by the Secretary, over a period of not exceeding 40 years, and that, to the extent deemed appropriate and practicable by the Secretary, the amounts of the annual installments may be varied in accordance, as near as may be, with the normal and percentage plan provided in section 4 of this act;

"(3) that the first annual installment shall accrue, on the date fixed by the Secretary, in the calendar year after the Secretary announces that the construction contemplated in the repayment contract is substantially completed.

Any such repayment contract may include provisions requiring the observance on lands within the project of such farming practices as may from time to time be recommended or prescribed by the Secretary of Agriculture for the purpose of preventing or reducing surpluses of those crops with respect to which national surpluses, as determined by the Secretary of Agriculture, have existed for the 3 crop years last preceding execution of the contract, and such provisions shall remain effective as to crops for which national surpluses have been so determined to exist until such surpluses have ceased to exist for any 3 consecutive crop years: *Provided*, That no such provision shall be construed as disqualifying any person for the grant of any benefits, in connection with farming operations within the project, to which such person would otherwise be entitled by law. No such provision shall, in any event, be incorporated in any such contract without prior consultation with the Secretary of Agriculture.

"(h) In connection with the investigation, construction, or operation and maintenance of any project for reclaiming lands, including logged or cut-over lands, by drainage or by land clearing, the Secretary is authorized to utilize (1) in such manner as he deems fit, any direct, services, labor, materials, easements, or other property, including money, supplied by any other Federal agency, for which the United States shall be reimbursed in such amounts as the President may fix for each project, division of a project, or supplemental works on a project, within the limits of the beneficiaries' ability to repay costs, as found by the Secretary under subsection (f) of this section; and (2) such services, labor, materials, easements, or property, including money, as may be contributed by any State or political subdivision thereof, State agency, municipal corporation, or other organization, or individuals, if, in the judgment of the Secretary, the acceptance thereof will not impair the title of the United States to the project works and will not reduce the probability that the project beneficiaries can meet the obligations to the United States entered into pursuant to subsection (g) of this section and the Federal reclamation laws. Moneys received and accepted under (2) of this subsection shall be and remain available for expenditure for the purposes for which contributed in like manner as if said sums had been specifically appropriated for said purposes. Any project for reclaiming lands by drainage or by land clearing, for which a report and findings have been submitted by the Secretary in accordance with the provisions of this section, and which the Secretary has certified to the President as having engineering feasibility, shall be deemed authorized and may be undertaken pursuant to this act, notwithstanding that the estimated cost of project construction may exceed the total of the allocations made in accordance with this section, if the President has found that services, labor, materials, easements, and other property, including money, for the construction of the project should be made available to the Secretary by other Federal agencies to the extent found necessary by the Secretary to make up the difference between the estimated cost of project construction and (1) the part thereof to be met by expenditures of moneys appropriated, or otherwise made available, for project construction on the basis of the allocations made under this section, together with (2) such services, materials, money, easements, and property, including money, as non-Federal agencies or parties have agreed to contribute and the Secretary has found acceptable under this subsection."

Sec. 5. Said act of August 4, 1939 (53 Stat. 1187), as amended, is hereby amended by adding thereto section 20 reading as follows:

"Sec. 20. (a) All payments made to the United States under repayment contracts on account of reimbursable construction costs of projects for the reclamation of lands, including logged or cut-over lands, by drainage or by land clearing, including penalties collected for delinquent payments, and all other receipts from such projects, except operation and maintenance collections, shall be covered into the Treasury to the credit of miscellaneous receipts. All charges collected for the operation and maintenance of any such project, including penalties collected for delinquencies in such charges, shall be available for expenditure for operation and maintenance of such project in the manner as if said funds had been specifically appropriated for said purpose.

"(b) There are hereby authorized to be appropriated, out of any moneys in the general fund of the Treasury not otherwise appropriated, such moneys as may be necessary for the investigation, construction, operation, and maintenance of projects for the reclamation of lands by drainage or by land clearing, and to carry out the provisions of this act relating to such projects, which moneys shall be reimbursable to the extent required by the Federal reclamation laws. Out of funds appropriated for the Department of the Interior for the investigation of projects for the reclamation of lands by drainage or by land clearing, there may be made available to the Geological Survey and the Fish and Wildlife Service such sums, not exceeding the amounts appropriated therefor, as the Geological Survey or the Fish and Wildlife Service may require for the purpose of carrying out investigations of geological, hydrological, and biological conditions and other matters pertinent to such projects. The construction of projects for the reclamation of lands by drainage or by land clearing shall be undertaken, insofar as practicable, in the order of their relative priority of usefulness, as determined by the Secretary, to the end that preference shall be given (1) to projects that present the best opportunities for the settlement of returning veterans on productive, owner-operated farms, and (2) to projects that present the most favorable ratio of estimated benefits over estimated costs."

Sec. 6. Said act of August 4, 1939 (53 Stat. 1187), as amended, is hereby amended by adding thereto section 21 reading as follows:

"Sec. 21. The Secretary shall establish the maximum size of farm units within each project for the reclamation of lands, including logged or cut-over lands, by drainage or by land clearing in accordance with his findings as to the area sufficient in size to constitute a productive, owner-operated farm. No such project shall be undertaken until and unless the owners of lands whose individual holdings exceed the maximum size of a productive, owner-operated farm unit as so established shall have agreed for and in behalf of themselves, their heirs, executors, and assigns, by contracts in form, substance, and legal sufficiency satisfactory to the Secretary, (a) that they will sell such part of their lands as may exceed the maximum area of a single farm unit at the appraised value of such excess lands, as determined by the Secretary, without reference to or increment

on account of the construction of the project, and (b) that the Secretary shall have an irrevocable power of attorney to sell in their behalf any such excess lands, not theretofore disposed of by said landowners, at the appraised value thereof: *Provided*, That any sales by the Secretary pursuant to such option shall, unless otherwise provided in writing by the landowners, be only for cash and only upon terms that will require the landowner to surrender possession of all of his excess lands at substantially the same time."

Sec. 7. Said act of August 4, 1939 (53 Stat. 1187), as amended, is hereby amended by adding thereto section 22 reading as follows:

"Sec. 22. (a) For the purpose of assisting in the investigation, settlement, and development of projects for reclaiming lands, including logged or cut-over lands, by drainage or by land clearing, and for the purpose of assisting settlers on such projects in the solution of financial and other problems related to the establishment of a sound agricultural operation, the Secretary is authorized to enter into cooperative agreements with other Federal agencies, with the State in which any such projects are located and any of its agencies or political subdivisions, and with private organizations that may be interested in the development of any such project.

"(b) In connection with any project for reclamation by drainage or by land clearing, the Secretary shall have the same authority with regard to the utilization of lands owned by the United States as he has in connection with other projects undertaken pursuant to the Federal reclamation laws.

"(c) In connection with the construction or operation and maintenance of a project for reclamation by drainage or by land clearing, the Secretary shall have with respect to construction and supply contracts, and with respect to the acquisition, exchange, and disposition of lands, interests in land, water rights, and other property and relocation thereof, the same authority, including authority to acquire lands and interests in land and water rights with titles and at prices satisfactory to him, which he has in connection with other projects under the Federal reclamation laws."

Sec. 8. This act, together with the act of August 4, 1939 (53 Stat. 1187), as herein amended, is declared to be a part of the Federal reclamation laws, act of June 17, 1902 (32 Stat. 388), and acts amendatory thereof or supplementary thereto. This act may be cited as the "Drainage and Land Clearing Act of 1945."

The explanatory statement presented by Mr. MURRAY in connection with the bill is as follows:

There are worth-while possibilities in a program for the reclamation of logged-off wet lands in the United States. It is appropriate that such a program be combined with a program for the reclamation of logged or cut-over timberlands suitable for agricultural development. It is appropriate particularly in view of the fact that in many cases projects for reclaiming lands suitable for agriculture will involve both drainage and the removal of stumps and logs. In parts of the South, for instance, some of these projects will require preliminary drainage followed by a program of stump removal. In the Great Lakes States some of these projects will involve the reclamation of an area consisting in part of logged or cut-over timberlands and in part of logged lands. This bill is an implementation of the suggestions made by Senators and Representatives that the Bureau of Reclamation in the Department of the Interior ought to undertake projects for reclamation by drainage and for the reclamation of logged or cut-over lands within as well as without the boundaries of the 17 Westernmost States. It may well be that

some projects of this character could be undertaken very soon and completed in time to make their contribution to the war food program. In any event, a number of important projects of this nature could be planned now and be ready for undertaking in the postwar period.

The argument has been advanced rather persistently that the Bureau of Reclamation is authorized already to construct purely drainage works in the 17 westernmost States. There is doubt as to whether such legal authority exists. This proposed legislation would remove that doubt. It would serve the additional purpose of authorizing the Bureau, in the humid as well as in the arid areas of the United States, to construct drainage works and to engage in the reclamation of logged or cut-over timberlands suitable for agricultural production.

The drainage of lands is a matter of engineering. The preliminary requirements are in no wise different from those governing the irrigation of arid lands, the construction of inland waterways, the prevention of floods, the conservation of water, or any other important engineering development. These matters all involve engineering and physical factors, the control of which may extend beyond the area immediately under consideration. Any great project of wet-land drainage is far above the plane of merely local shifting for the purpose of draining a few farms. If such work is to be prosecuted intelligently and purposefully, the actual construction must be preceded by topographic surveys, measurement of stream flow, consideration of necessary capacity of channels, both natural and artificial, and their permanence, investigation of geologic conditions, and study of all related phenomena. The actual development can be prosecuted only by an agency composed of competent engineers and others with a background of experience in such matters. The tragic mistakes that have been made in the past in connection with the construction of certain ambitious drainage projects—mistakes due in large part to ignorance of geologic and hydrologic factors and a failure therefore to make a thorough investigation of geological and hydrological conditions—should not be repeated. The best assurance obtainable that these mistakes would not be repeated would be to have the projects constructed under the jurisdiction of the Department of the Interior so that, by cooperation between the Bureau of Reclamation and the Geological Survey, they could be planned and constructed with due regard for all appropriate factors.

The proposed bill provides for opportunities for cooperation among the Bureau of Reclamation, the Corps of Engineers, and the Department of Agriculture in the planning and construction of these projects. Joint investigations by these agencies, in cooperation with the Geological Survey and State agencies, may well result in the uncovering of great possibilities for drainage and clearing projects, in certain areas. Along the Mississippi River, for instance, behind the flood-control levees constructed by the Corps of Engineers, lie many thousands of acres of lands. These lands are extremely fertile. They would be eminently suitable for the settlement of many families now engaged in farming poor lands. They would make desirable locations for returning servicemen.

The proposed bill provides for drainage projects and projects for the reclamation of logged or cut-over timber lands in accordance with established State land-use policies. Some of the States, in the forefront of which is Wisconsin, have adopted zoning policies and others are striving toward zoning policies which would prevent uneconomic development. The policies of the States should be respected and implemented. The highest degree of cooperation with State agencies is possible under the proposed bill.

Developments undertaken pursuant to this bill should be planned with due regard for the preservation of the country's great wildlife resources. Assurance of such regard would be contained in legislation vesting authority to plan and construct these projects in the Department of the Interior, under the jurisdiction of which the Fish and Wildlife Service keeps a watchful eye on any group or movement threatening these important resources. The keen interest of the States in the maintenance of their game preserves should likewise be accorded full weight. The history of some drainage projects indicates that they have been more destructive of wildlife than productive of agriculture crops.

Sound planning and adequate construction are not enough. A proper regard for the ends to be served by these projects requires safeguards of an economic nature. The drainage program and the program for the reclamation of logged or cut-over timberlands must be such as to result in a healthy and stable farm economy based to the fullest possible extent on individual ownership of family-sized agricultural units. If these programs will not serve that purpose, they should not be undertaken. Legislation authorizing these programs should make adequate provision for reimbursement, to a practicable extent and in a workable manner, of construction and other costs. It should also contain assurance that these works shall not be constructed for the benefit of large acreages in the hands of a favored few. It should contain assurance that large acreages shall be subdivided into farms of reasonable size which shall be available at proper prices. It should make provision for land classification and for the prevention of speculation in lands. The reclamation law contains provisions of this kind. The Bureau of Reclamation in the Department of the Interior has had experience in their administration.

There may be those among the stanch friends of reclamation in the West who will have their doubts as to the advisability of the Bureau of Reclamation engaging in activities which would extend its jurisdiction to other areas. They should be assured that extension of that Bureau's activities beyond the 17 Western States would not result in any reduction of the Bureau's program in the West. On the contrary, the organization now devoted to that program would continue unimpaired.

Finally, this proposed legislation would assist materially in the preparation of plans for our returning servicemen. Many of these men were farmers before the war, and will want to resume farming. Many others will no doubt want an opportunity to become farmers after the war is over. To this opportunity they are entitled. The great areas now available for irrigation farming and those which will be available for irrigation farming in the future are not enough. By the enactment of this bill the Congress would make it possible to undertake now the preparation of definite plans for additional projects which would help serve the needs of these veterans and also of many people now engaged in the production of war necessities.

If and when this proposed legislation is enacted into law and the moneys therefor are appropriated, necessary investigations will be started promptly and recommendations for particular projects will be made to the Congress from time to time.

PRINTING OF LAWS RELATING TO THE FIVE CIVILIZED TRIBES

Mr. THOMAS of Oklahoma submitted the following resolution (S. Res. 67), which was referred to the Committee on Printing:

Resolved, That the manuscript of the laws, agreements, Executive orders, proclamations, etc., relating to the Five Civilized Tribes, Oklahoma, passed and proclaimed from 1890 to 1944, inclusive, to be known as Laws Relating to the Five Civilized Tribes in Oklahoma, 1890 to 1944, prepared under Senate Resolution 80, Seventy-fifth Congress, first session, be printed as a Senate document, and that there be printed 50 additional copies for the use of the Senate Committee on Indian Affairs and 30 additional copies for the use of the House Committee on Indian Affairs.

REPORT OF UNITED STATES WAR BALLOT COMMISSION (S. DOC. NO. 8)

Mr. GREEN. Mr. President, I ask unanimous consent that the report of the United States War Ballot Commission, with certain of the accompanying exhibits, be printed as a Senate document.

The VICE PRESIDENT. Is there objection?

The Chair hears none, and it is so ordered.

REPORT ON GOVERNMENT-OWNED PATENTS AND INVENTIONS OF GOVERNMENT EMPLOYEES AND CONTRACTORS

Mr. PEPPER. Mr. President, the President has transmitted to the Congress and there has been referred to the Senate Committee on Patents the second report of the National Patent Planning Commission on Government-Owned Patents and Inventions of Government Employees and Contractors. This document is less than 50 pages in length, and, as chairman of the Committee on Patents, I ask unanimous consent that it be printed as a Senate document.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

UNITY—ADDRESS BY THE VICE PRESIDENT

[Mr. MYERS asked and obtained leave to have printed in the RECORD an address entitled "Unity" delivered by the Vice President at the Democratic victory dinner in Philadelphia, Pa., January 20, 1945, which appears in the Appendix.]

HOLIDAY MESSAGE FROM THE PRESIDENT OF THE UNITED STATES

[Mr. LUCAS asked and obtained leave to have printed in the RECORD a message from the President of the United States read by Mrs. Franklin D. Roosevelt in a broadcast from the White House in connection with the observance of the President's birthday, which appears in the Appendix.]

CITATIONS BY THE KIWANIS CLUB OF NEW YORK TO CERTAIN NEW YORK NEWSPAPERS—ADDRESSES BY SENATOR HAWKES AND NICHOLAS ROOSEVELT

[Mr. HAWKES asked and obtained leave to have printed in the RECORD an address by him presenting citations from the Kiwanis Club of New York to the New York Herald Tribune, the New York Times, the Sun, and the World-Telegram, and an address by Mr. Nicholas Roosevelt, assistant publisher of the New York Times, in accepting the citation, which appear in the Appendix.]

TRIBUTES TO THE LATE SENATOR FRANCIS MALONEY

[Mr. McMAHON asked and obtained leave to have printed in the RECORD a resolution of the City Council of New Britain, Conn., and four editorials regarding the death of the late Senator Francis Maloney, which appear in the Appendix.]

INDUSTRIAL CONDITIONS IN THE SOUTH—EDITORIAL COMMENT ON ADDRESS BY HON. JAMES A. FARLEY

[Mr. McMAHON asked and obtained leave to have printed in the RECORD two editorials commenting on an address by Hon. James A. Farley in Birmingham, Ala., which appear in the Appendix.]

NOMINATION OF HENRY A. WALLACE TO BE SECRETARY OF COMMERCE

[Mr. MURDOCK asked and obtained leave to have printed in the RECORD an editorial entitled "Fight Now Shifts to Washington," from the Beaver Press, of Beaver City, Utah, issue of January 26, 1945, which appears in the Appendix.]

TEXTILE INDUSTRIES UNDER FEDERAL CONTROL—EDITORIAL FROM THE PASSAIC (N. J.) HERALD NEWS

[Mr. ROBERTSON asked and obtained leave to have printed in the RECORD an editorial entitled "All Textile Industries Now Under New Federal Control" from the Herald News, of Passaic, N. J., Friday, January 26, 1945, which appears in the Appendix.]

AIRPLANE ACCIDENTS

[Mr. LANGER asked and obtained leave to have printed in the RECORD numerous communications received by him on the subject of military airplane accidents, which appear in the Appendix.]

DEATH SENTENCES OF ASSASSINS OF LORD MOYNE IN CAIRO

Mr. LANGER. Mr. President, a group of distinguished citizens, leaders in all walks of life, have appealed to the King of Egypt to commute the death sentence which was passed last week in Cairo on two young Palestinian patriots. Those who signed the appeal include Representative JOHN W. MCCORMACK, House majority leader; Arturo Toscanini, the world famous conductor, humanitarian and anti-Fascist; and Rabbi Eliezer Silver, copresident of the Union of Orthodox Rabbis of the United States.

The appeal reads as follows:

> Two sons of Israel in desperation over unconsolable plight of their brethren in Europe committed an Egyptian and deplorable act of assassination. Regardless our unequivocal disapproval of this act, we believe that background of full gamut of agony, despair, and death of millions of Hebrews in Europe and continuing suffering of survivors in that inferno constitute sufficient reason for leniency. We therefore respectfully request Your Excellency to plead with His Majesty the King to commute death sentence to imprisonment, taking into consideration sufferings and youth of condemned. We believe such act of mercy will be in tradition of great Egyptian civilization and will further good will and friendship of peoples of earth. Eyes of compassionate people everywhere are looking for His Majesty's gesture of justice and mercy.
>
> Rabbi Eliezer Silver, copresident, Union of Orthodox Rabbis, and president Agudath Israel; Arturo Toscanini; John W. McCormack, House majority leader; Senator William Langer; Andrew I. Somers, Member of Congress; Sigrid Undset; Louis Bromfield; Judge William S. Bennett, cochairman, Emergency Committee To Save the Jewish People of Europe; Judge Oscar W. Ehrhorn, past president, National Federation of Church Clubs; Arthur Sayk; Konrad Bercovici; Dean Alfange, vice chairman, Liberal Party; Alfa Will, executive director, American League for a Free Palestine; Harry Louis Selden, cochairman, American League for a Free Palestine; Rabbi Benjamin Mendlen, cochairman, National Council Emergency Committee; Rabbi Morris M. Rose, president, Union Rabbi Rescue Societies United States of America; Isaac Bar, member editorial board, Jewish Morning Journal; Mordecai Dubin, chairman, editorial staff, Jewish Day; M. J. Rutenberg, member editorial board, Jewish Morning Journal; May Lewis; Kevin Michaelis; Prof. Johan J. Smertenko; Rabbi Baruch Korff; Mrs. John Gunther; Mrs. Louis Untermeyer; Stella Adler.

Simultaneously a special appeal to the Egyptian Prime Minister was cabled by Dr. Syud Hossain, chairman of the National Committee for Indian Freedom.

This act of understanding and friendship toward the Jews of Palestine on the part of this prominent Moslem leader is both significant and encouraging in the light of the many tales which are being told of the strife and hostility between Moslems and Jews. I quote Dr. Hossain's appeal:

> As chairman of the National Committee for India's Freedom and member of the Indian Moslem Caliphate Delegation in 1920, I earnestly and respectfully urge you to exercise clemency toward the young Jews, Eliahu Bakim and Eliahu Bet Zouri, now under sentence of death. As a follower of Mahatma Gandhi I cannot condone violence, even less political assassination. But in this case there are powerful and just grounds to temper justice with mercy. These young men are obviously no ordinary criminals, but the victims of circumstances. They acted from no motives of personal gain or malice, but under instigation of desperation and bitter spiritual anguish. Crimes similarly committed by other young men, even during this war, have been treated with sympathetic understanding by civilized public opinion. In this case the extenuating factors are, if anything, more potent. The Jews have suffered more than any other single group in the present world tragedy of hate and violence, and these young men symbolize the sufferings, the bitterness, and disillusionment of their people. Alike on grounds of high political expediency and common humanity these two young men should be spared. Furthermore, clemency on your part, I feel sure, will meet with the warm approval of the peoples of India and Islam. It will also accord with the historic tradition of Egypt which gave asylum to the Jews in earlier centuries when elsewhere they were the victims of persecution in Europe. Fraternally and respectfully.
>
> DR. SYUD HOSSAIN.

Mr. President, I was very happy to sign this appeal. On January 18 I raised the question of the complete censorship which surrounded the trial in Egypt, which prohibited the publication of one word of what the two young men said were the motives which drove them to their desperate act. The trial lasted for 7 days, 6 of which were taken up by the defense. Those included long hours in which the two accused made lengthy personal statements. All we know now is that the two young men are to be hanged, but as yet, even after the verdict has been passed, the American correspondents in Cairo have been prevented from cabling about the trial to their newspapers. So incensed were the American correspondents that they elected a special delegation which protested to the authorities in Cairo and asked permission to cable the arguments of the defendants, but this was denied.

Mr. President, it is a problem of elementary justice, not only toward the two youths; it is a problem of elementary justice in the interests of the tormented Hebrews of Europe, that the whole story be told; that their tragic situation and the callousness of the British Colonial Administration which slams the doors of Palestine in the face of these people and which has led to the dark, despairing act of the two youths, be brought to light for world judgment.

Mr. President, I wish to appeal to Mr. Churchill, the Prime Minister and leader of our great ally, not only to exercise compassion and mercy in this particular case, but to delay no longer the abrogation of the present British policy in Palestine which he himself so bitterly and strongly condemned in 1939, when it was first announced by the late arch appeaser, Neville Chamberlain, and which is directly responsible for the tragic death of Lord Moyne, as it is directly responsible for the tragic death of hundreds of thousands of innocent Hebrew men, women, and children in Europe.

LIBERATION OF AMERICAN PRISONERS IN LUZON

Mr. CHAVEZ. Mr. President, this morning the office of the Chief of Staff of the Army of the United States has announced the liberation, under the direction of General MacArthur, of several hundred Americans who have been prisoners of war of the Japanese Government. Several of the boys liberated were from my State of New Mexico, several thousand of our New Mexico boys having been made prisoners by the Japanese in their conquest of Luzon. Surely the American people are entitled to rejoice in this announcement, and to entertain the hope that in the near future the other American youths who are now prisoners will also be liberated.

TRIBUTE TO EDWARD D. MCKIM, JR.—KILLED IN ACTION

Mr. BUTLER. Mr. President, I beg the attention of the Senate for 2 minutes while I read into the RECORD a letter which I think will mean much to the people of America, as it is an example of what has happened a great many times, not only in the one city where we are today, but in many of the large cities, and in many of the smaller places, reaching into every section of our land. The letter refers to the loss of a son in service.

Mr. President, it happens that this letter was written by a major general in the Marine Corps to the father of a boy who was killed in action. I am proud to have the opportunity of reading this letter into the RECORD this morning, not only for the reasons I have stated, but for the further reason that the father to whom the letter was addressed was a close associate and buddy of the Vice President of the United States in the First World War.

With the Senate's permission, I should like to read the letter into the RECORD. It is addressed to Mr. Edward D. McKim, Sr., 750 North Fairacres Road, Omaha, Nebr., is signed by Maj. Gen. G. B. Erskine, United States Marine Corps, and is as follows:

UNITED STATES MARINE CORPS,
HEADQUARTERS,
THIRD MARINE DIVISION,
FLEET MARINE FORCE,
CARE OF FLEET POST OFFICE,
San Francisco, January 3, 1945.

Mr. EDWARD D. MCKIM, Sr.,
Omaha, Nebr.

MY DEAR MR. MCKIM: I have just learned that until now you have never received a letter from your son's commanding officer, and I should like to tell you how sorry I am that there has been so long a delay. May I extend my deepest sympathy to you in the great loss you have suffered; your boy was a splendid officer, and you have paid a heavy price for our victory at Guam.

Your son's company commander was killed within a few days of Edward's own death, but I have talked this morning with a number of men from his platoon who were with him constantly until the end. He landed shortly after 8-hour on the 21st of July; the beach at that time was under intense fire, much of it from a group of three caves which the Japanese had heavily fortified. Your son gathered his platoon and proceeded to eliminate these positions one by one; his prompt, skillful, and courageous action doubtless saved us many casualties during the unloading operations along the beach.

The following day, as his company moved up into the line, your son was struck in the arm by a mortar fragment. It was a painful wound, but he refused to be evacuated and continued to lead his platoon throughout the days and nights of bitter fighting that followed. Once, when the Japanese had succeeded in penetrating our lines, he organized and led a counterattack which restored our positions.

By the 26th of July Edward's platoon had suffered heavy casualties, together with the rest of the company, but they had held fast against countless attacks and steadily pushed the Japanese back. That afternoon the men were ordered to dig in for the night and organize a defensive position. The sector was quiet at the time, and about dusk a sniper son walked about 50 yards forward of the lines to inspect the stringing of some barbed wire. A few minutes later a machine gun opened fire from the left, wounding your boy. He was carried back to our lines and died almost at once, only a few minutes after he had been hit. I believe the end came too quickly for him to suffer.

Everyone to whom I have spoken has praised the care he took of his men, his coolness in action, and his fine leadership. He was determined, above all, to do his duty, and there can be no doubt that he did so splendidly. He will serve as an example to us all in our future battles, and his name will not be forgotten.

With kindest regards, I am,
Very sincerely,

G. B. ERSKINE,
Major General,
United States Marine Corps.

Mr. President, I wish it were possible thus to acknowledge the sacrifice that each and every one of the hundreds of thousands of lads is making, but this serves as an example of what they are doing, and because of the close connection of the lad's father to Vice President TAFT, I am glad to have had the opportunity to read the letter into the RECORD.

CONTINUATION OF INVESTIGATION OF ALCOHOLIC BEVERAGE INDUSTRY—MOTION TO DISCHARGE COMMITTEE

The VICE PRESIDENT. The Chair lays before the Senate a motion made on January 29 by the senior Senator from Wyoming [Mr. O'MAHONEY] on behalf of the senior Senator from Nevada [Mr. MCCARRAN] to discharge the Committee to Audit and Control the Contingent Expenses of the Senate from further consideration of Senate Resolution 17, which the clerk will report by title.

The CHIEF CLERK. A resolution (S. Res. 17) continuing the authority for investigation of the alcoholic beverage industry and increasing the limit of expenditures.

Mr. MCCARRAN. Mr. President, I ask that the motion be passed over without prejudice.

The VICE PRESIDENT. Without objection, the motion will be passed over without prejudice.

The Chair announces that morning business is now concluded.

MOTION TO PROCEED TO THE CONSIDERATION OF EXECUTIVE BUSINESS

Mr. BAILEY. Mr. President, I move that the Senate proceed to the consideration of executive business.

The VICE PRESIDENT. The question is on agreeing to the motion of the Senator from North Carolina.

Mr. TAFT. Mr. President, a point of order.

Mr. BARKLEY. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. BARKLEY. As I understand, the motion is not debatable.

The VICE PRESIDENT. The Senator is correct.

Mr. BARKLEY. Mr. President, a further parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. BARKLEY. If the motion to proceed to the consideration of executive business should be rejected, would it then be in order to move to proceed to the consideration of the George bill, or any other legislation on the Legislative Calendar?

The VICE PRESIDENT. The Chair thinks it would be.

The question is on agreeing to the motion of the Senator from North Carolina [Mr. BAILEY].

Mr. BARKLEY, Mr. PEPPER, and other Senators asked for the yeas and nays.

The yeas and nays were ordered.

Mr. WALSH. Mr. President, before the vote is taken on the pending motion, and in connection with the nomination of Mr. Wallace and the so-called George bill, I ask unanimous consent to have printed in the RECORD a statement released by me to the press.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

The President was given his fourth mandate from the people last November. Henry Wallace was one of the sharp horns of the Presidential campaign. The country was on notice that in the event of his reelection the President intended to elevate Mr. Wallace to a place of high responsibility to assist in carrying forward the economic and social policies which the President had promised.

The action which the President has now taken and the nomination of Mr. Wallace which is now before the Senate should occasion no surprise. It is but the natural course of events. The question now arises as to whether the Senate shall undertake to exert its veto power over the President's choice.

I have always adhered to the view that the selection of the members of his Cabinet is the personal prerogative of the President; that he should be free to select his own counselors and advisers without congressional interference unless the person of his choice was manifestly unfit, by reason of mental incapacity or moral delinquency.

I recognize, of course, the responsibility imposed on all Members of the Senate by the constitutional provision that Presidential appointees to certain offices, including members of the Cabinet, shall be subject to senatorial consent and confirmation. It is not for the Senate to exercise veto power over Presidential nominations for the Cabinet except for the gravest causes. Approval, in the constitutional sense, of the President's appointees by no means implies commendation of the President's choice or concurrence in the views of the appointee.

With respect to Henry Wallace, his integrity is not challenged. He has had previous service as a Cabinet officer—as Secretary of Agriculture. He has been the nominee of the Democratic Party for the Vice Presidency of the United States, elected by the people to that office, and served out his term. At no time has there been any serious criticism of his conduct or service.

It is his social and political philosophy that is now called into question—his ideas pro the question of his business capacity and sagacity. These are matters that lie within the province of the President and for which he must accept full responsibility. I am not disposed to refuse to accede to the President's choice of Mr. Wallace, regardless of my personal disagreements with some of the ideas that he has espoused. I shall vote for his confirmation.

The question of the divorcement of the R. F. C. and its many subsidiary lending agencies from the Department of Commerce stands on a totally different footing. It is a matter of governmental organization, the determination of which is preeminently a prerogative of Congress, the legislative branch of the Government.

The merger into the hands of a single individual, first, of the power and duties and heavy responsibilities that are implicit in the handling of any of the regular departments of the Government, and second, the enormous power and responsibility and administrative labor that attaches to the headship of the Federal Loan Agency, is a dangerous arrangement that invites bad management by reason of the multiplicity of tasks. It is not a question of personalities. It is a question of efficiency and sound placement of responsibility in governmental administration.

The transfer of the Federal Loan Agency to the Department of Commerce that was done by Executive order, and with one man holding both posts, was a mistake. It ought never to have been done. The bill now before the Senate offered by Senator CHAVEZ does no more than seek to correct this mistake and prevent its repetition. A bill to do this is long overdue.

I believe this measure should be enacted and I intend to vote for it regardless of whether the pending nomination of Mr. Wallace is confirmed, rejected, or withdrawn. I believe that this measure should be enacted and the R. F. C. and its subsidiaries restored to the status of a separate agency

of the Government, regardless of who may hereafter be appointed by the President to head the agency.

The VICE PRESIDENT. The question is on the motion of the Senator from North Carolina [Mr. BAILEY] that the Senate proceed to the consideration of executive business. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. REED (when his name was called). I have a general pair with the senior Senator from New York [Mr. WAGNER]. If he were present he would vote "nay." If I were at liberty to vote, I would vote "yea." I therefore withhold my vote.

The roll call was concluded.

Mr. WHERRY. The junior Senator from Minnesota [Mr. BALL] is absent because of illness. If he were present he would vote "nay."

Mr. HILL. I announce that the Senator from Virginia [Mr. GLASS] is absent from the Senate because of illness.

The Senator from Kentucky [Mr. CHANDLER] is absent because of illness in his family.

The Senator from Maryland [Mr. RADCLIFFE] is detained on important public business.

The Senator from New York [Mr. MEAD] is detained in a committee meeting.

The Senator from New Mexico [Mr. HATCH] is absent on official business.

The Senator from Florida [Mr. ANDREWS], the Senator from North Dakota [Mr. MOSES], the Senator from New York [Mr. WAGNER], and the Senator from Montana [Mr. WHEELER] are necessarily absent.

I further announce that if present and voting, the Senators from New York [Mr. MEAD and Mr. WAGNER] and the Senator from New Mexico [Mr. HATCH] would vote "nay."

Mr. TAFT (after having voted in the affirmative). I change my vote to "nay."

The result was announced—yeas 41, nays 43, as follows:

YEAS—41

Bailey	George	Revercomb
Bankhead	Gerry	Robertson
Bridges	Gurney	Scrugham
Brooks	Hawkes	Smith
Buck	Hickenlooper	Stewart
Bushfield	Hoey	Thomas, Idaho
Butler	Johnson, Calif.	Tobey
Byrd	Johnson, Colo.	Taylor
Capehart	McCarran	Vandenberg
Capper	McClellan	Wherry
Cordon	McFarland	White
Donnell	McKellar	Wiley
Ferguson	Millikin	Willis
	Moore	
	O'Daniel	

NAYS—43

Aiken	Hill	O'Mahoney
Austin	Johnston, S. C.	Overton
Barkley	Kilgore	Pepper
Bilbo	La Follette	Russell
Brewster	Langer	Saltonstall
Briggs	Lucas	Shipstead
Burton	McFarland	Taft
Chavez	McMahon	Taylor
Downey	Magnuson	Thomas, Okla.
Eastland	Maybank	Thomas, Utah
Eliender	Mitchell	Tunnell
Fulbright	Murray	Walsh
Green	Murdock	Wilson
Guffey	Myers	
Hayden	Myers	

NOT VOTING—11

Andrews	Hatch	Reed
Ball	Mead	Wagner
Chandler	Moses	Wheeler
Glass	Radcliffe	

So Mr. BAILEY's motion to proceed to the consideration of executive business was rejected.

Mr. BARKLEY and Mr. TAFT addressed the Chair.

The VICE PRESIDENT. The Senator from Kentucky.

Mr. TAFT. I move that the vote by which the motion was rejected be reconsidered.

Mr. LUCAS. Mr. President, a point of order.

The VICE PRESIDENT. The Senator will state it.

Mr. LUCAS. The Chair recognized the Senator from Kentucky.

The VICE PRESIDENT. That is correct.

Mr. BARKLEY. Mr. President, if the Senator from Ohio desires to make his motion to reconsider, I yield for that purpose.

Mr. TAFT. Mr. President, I move that the vote be reconsidered.

Mr. BRUDGES. I second that motion.

Mr. BARKLEY. Mr. President, I should like the Senator to understand my viewpoint about the matter. I intended to move that the Senate proceed to the consideration of the George bill, in view of the defeat of the motion of the Senator from North Carolina [Mr. BAILEY]. Therefore, I insist on the right to make that motion at this time, having been recognized by the Chair.

Mr. TAFT. Mr. President, the Senator yielded to me for the purpose of making the other motion, and I made the other motion.

The VICE PRESIDENT. The Chair informs the Senator from Ohio that he is not precluded from making that motion at any time.

The Chair recognized the Senator from Kentucky. Unless he yielded for that purpose, he still has the floor.

ADMINISTRATION OF CERTAIN GOVERNMENT LENDING AGENCIES

Mr. BARKLEY. Mr. President, I now move that the Senate proceed to the consideration of the George bill, Senate bill 375, Calendar No. 27.

The VICE PRESIDENT. The bill will be read by title.

The CHIEF CLERK. A bill (S. 375) to provide for the effective administration of certain lending agencies of the Federal Government.

Mr. BARKLEY. On that motion, Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered, and the legislative clerk proceeded to call the roll.

Mr. REED (when his name was called). I have a general pair with the senior Senator from New York [Mr. WAGNER]. I understand that on this vote he would vote as I am about to vote, and therefore I will vote. I vote "yea."

Mr. CHAVEZ. I neglected to announce, when the name of my colleague [Mr. HATCH] was called, that he is unavoidably detained. If he were present, he would vote "yea." Let me add that if he had been present when the vote was taken on the motion of the Senator from North Carolina [Mr. BAILEY], he would have voted "nay."

Mr. WHERRY. The junior Senator from Minnesota [Mr. BALL] is absent on account of illness. If he were present and were permitted to vote, he would vote "yea."

Mr. HILL. I announce that the Senator from Virginia [Mr. GLASS] is absent from the Senate because of illness.

The Senator from Kentucky [Mr. CHANDLER] is absent because of illness in his family.

The Senator from Maryland [Mr. RADCLIFFE] is detained on important public business.

The Senator from New York [Mr. MEAD] is detained in a committee meeting.

The Senator from New Mexico [Mr. HATCH] is absent on official business.

The Senator from Florida [Mr. ANDREWS], the Senator from North Dakota [Mr. MOSES], the Senator from New York [Mr. WAGNER], and the Senator from Montana [Mr. WHEELER] are necessarily absent.

The result was announced—yeas 53, nays 3, as follows:

YEAS—53

Aiken	Gerry	Myers
Austin	Gurney	O'Daniel
Bailey	Hawkes	O'Mahoney
Bankhead	Hayden	Overton
Barkley	Hickenlooper	Pepper
Bilbo	Hill	Reed
Brewster	Hoey	Revercomb
Bridges	Johnson, Calif.	Robertson
Briggs	Johnson, Colo.	Russell
Brooks	Johnston, S. C.	Saltonstall
Buck	Kilgore	Scrugham
Burton	La Follette	Shipstead
Bushfield	Langer	Smith
Butler	Lucas	Taft
Byrd	McCarran	Taylor
Capehart	McClellan	Thomas, Okla.
Capper	McFarland	Thomas, Utah
Chavez	McKellar	Tobey
Connally	McMahon	Tunnell
Cordon	Magnuson	Tydings
Donnell	Maybank	Vandenberg
Downey	Millikin	Walsh
Eastland	Mitchell	Wherry
Eliender	Moore	White
Ferguson	Murdock	Wiley
Fulbright	Murray	Willis
George	Myers	Wilson
Green		
Guffey		

NAYS—3

Stewart	Thomas, Idaho	

NOT VOTING—39

Andrews	Hatch	Wagner
Ball	Mead	Wheeler
Chandler	Moses	
Glass	Radcliffe	

So the motion was agreed to; and the Senate proceeded to consider the bill (S. 375) to provide for the effective administration of certain lending agencies of the Federal Government, which had been reported from the Committee on Commerce with an amendment to strike out all after the enacting clause and insert:

That the Federal Loan Agency, created by section 402 of the President's Reorganization Plan No. 1 under authority of the Reorganization Act of 1939, shall continue as an independent establishment of the Federal Government and shall continue to be admin-

interest under the direction and supervision of the Federal Loan Administrator in the same manner and to the same extent as if Executive Order 9071, dated February 24, 1942, transferring the functions of the Federal Loan Agency to the Department of Commerce, had not been issued.

SEC. 2. All powers, functions, and duties of the Department of Commerce and of the Secretary of Commerce which relate to the Federal Loan Agency are hereby transferred to the Federal Loan Agency to be administered under the direction and supervision of the Federal Loan Administrator.

SEC. 3. The unexpended balance of the funds made available to the Secretary of Commerce by Public Law 268, Seventy-eighth Congress, approved June 28, 1944, for administrative expenses of supervising loan agencies, shall be transferred to the Federal Loan Agency to be used for the administrative expenses of that Agency.

SEC. 4. No functions, powers, or duties shall be transferred from the Federal Loan Agency under the provisions of title I of the First War Powers Act, 1941, or any other law unless the Congress shall otherwise by law provide.

The VICE PRESIDENT. The question is on agreeing to the amendment reported by the Committee on Commerce.

Mr. GEORGE. Mr. President, on page 4, line 6, after the word "agency", I offer to amend the committee amendment by inserting the following: "(together with the respective personnel, records, and property, including office equipment, relating to the exercise of such powers, functions, and duties)." The amendment is merely to make clear what otherwise might not be clear.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Georgia to the committee amendment.

The amendment to the amendment was agreed to.

The VICE PRESIDENT. The question now recurs on agreeing to the committee amendment as amended.

Mr. BAILEY. Mr. President, as chairman of the Committee on Commerce, to which the bill was referred and which has reported it favorably, I think it is appropriate for me to make a brief statement.

It will not be necessary to go into the matter at any great length. The text of the bill is simple, and its meaning is clear. I think that the passage of the bill is of great importance. I question whether there will be any great amount of opposition to it. The committee conducted thorough and interesting hearings upon the bill, and heard from its author, from Hon. Jesse Jones, and from Hon. Henry A. Wallace. There was some demand for further hearings, but the committee felt that the matter had been very thoroughly thrashed out, and so it reported the bill.

The objective of the bill is to take away from the Department of Commerce those agencies headed by the R. F. C. which have been chiefly described as the lending agencies. The bill would by no means affect all the lending agencies of the Government, but only these agencies which were transferred either in actuality, or by virtue of their functions, by the President under the First War Powers Act. The bill would establish them once again as independent agencies, and would separate once again the Federal Loan Administrator from association with the Secretary of Commerce, which association was authorized by the President.

With that statement, Mr. President, I believe it is appropriate for me to yield to the author of the bill, the senior Senator from Georgia [Mr. GEORGE], and ask him to express his views to the Senate. He did so with very great eloquence before the committee.

Mr. GEORGE. Mr. President, I do not care to go into an extended discussion of the bill because, by its terms, it is simple and easily understandable. For the purpose of illustrating my good faith in introducing the bill, I merely invite attention to certain facts which are extraneous to the record.

I am aware that in some quarters, which are ill-advised and uninformed, a motive far different from that which I have had in mind has been described to me in the introduction of the bill. It so happens that I was invited to sit in at the earliest conference of citizens and legislators which was held and which recommended and, in a measure, outlined the original Reconstruction Finance Corporation Act. As every Member of this body knows, that occurred under the administration of Mr. Hoover at a time when there was increasing unemployment. There was an inability, or an unwillingness on the part of banks to extend credit, and a collapse of business was threatened. Following the conference to which I have referred, there was introduced the bill which became the original Reconstruction Finance Corporation Act. That act has been, of course, greatly expanded in the years since its enactment. However, its primary purpose has remained the same throughout its history. Certain amendments were made to the organic act itself in order to take care of unusual situations such as floods, destruction by cyclones, hurricanes, and other like catastrophes.

When the Reorganization Act of 1939 was passed the President was authorized by that act to transfer by order the functions of agencies of the Government, and he issued Reorganization Plan No. 1. That was in April 1939. Section 402 of that plan created the Federal Loan Agency, and brought it, as well as certain other corporations associated with or subsidiaries of the Reconstruction Finance Corporation, within the jurisdiction of the Reconstruction Finance Corporation. By the terms of the Reorganization Act of 1939 the plan would have become law in any event after it had been on file with the Congress for 60 legislative days unless in the meantime some affirmative act had been taken amounting to a disapproval of the order by the Congress; but on June 7, 1939, the President himself approved Public Resolution 20, Seventy-sixth Congress, which provided that plan No. 1 should take effect July 1, 1939.

It will be recalled by Members of the Senate who were then in service that a resolution had been passed authorizing the holding of two offices, to wit, the office of Administrator of the loan agencies and the Department of Commerce by one and the same person, to wit, Jesse H. Jones, but with the provision that only one salary, namely the salary provided for the Secretary of Commerce, should be received by him. At that time there were some of us who doubted the wisdom of permitting the two offices to be held by one and the same person. There was some discussion on the floor and in committee on that resolution, but upon the assurance that it would not serve as a precedent for future legislative action no opposition was actually offered. I may say, Mr. President, that some of us who doubted the wisdom of the action taken at that time have subsequently given study to this matter.

Now I call attention of the Senate to the fact that the special committee of which the junior Senator from Virginia [Mr. BYRD] is chairman has had under study for some time the agencies of government, particularly the corporations created by the Congress and authorized by the Congress, and some legislation has been under study and, I may say, is in course of preparation.

It was believed by that committee—and I am a member of it—that many of the agencies were operating under very loose authority and without necessary legislative safeguards, restrictions, and limitations. Therefore, I had given study to this matter long prior to the opening day of the Seventy-ninth Congress. It had again occurred to me, and had been under consideration by me, that it would be advisable to introduce a bill to separate and to return to the administrator of the Federal loan agencies the various functions and organizations transferred to the Department of Commerce by the President under Executive order under date of February 24, 1942, under the First War Powers Act. Actually the then Secretary of Commerce was acting as the Administrator of the loan agencies and, of course, as Secretary of Commerce; but, for some reason, the President issued his Executive order transferring the R. F. C. and certain loan agencies enumerated in Plan No. 1 under the Reorganization Act to the Department of Commerce. So, Mr. President, the bill is designed to accomplish exactly what I think should have been permitted to remain as the legal status of these several loan agencies from the beginning.

I do not think it necessary to enter into a long discussion, because I am quite sure that all Senators have examined the various loan agencies, are familiar with the tremendous scope and power of those agencies, and have given consideration to the return of those agencies, all created by the Congress, to an agency directly responsible to the Congress and which can be reasonably controlled by the Congress itself.

Mr. O'MAHONEY. Mr. President, will the Senator yield for a question?

The VICE PRESIDENT. Does the Senator from Georgia yield to the Senator from Wyoming?

Mr. GEORGE. I yield to the Senator from Wyoming.

Mr. O'MAHONEY. I should like to call the Senator's attention to the language in the report on page 5. At the end of the second paragraph on that page it says with respect to the powers which have been granted the R. F. C. and which may be granted in the future:

The greater the necessity for the exercise of extraordinary powers the greater became the responsibility of Congress for bringing the exercise of those powers more immediately under its scrutiny, and only by such action can the Congress discharge its direct responsibility for the Nation's welfare.

Mr. President, I wonder if the Senator would care to make any comment as to whether or not the bill now before the Senate establishes any procedure whereby greater scrutiny by Congress can or will be exercised of this agency?

Mr. GEORGE. I may say to the Senator that the bill does not, except that it takes the necessary first step, as I think, to return these agencies to an independent status, subject, of course, to such legislation as the Congress may enact.

I may explain, if the Senator will permit me, that I did not include what I believe to be very pertinent provisions in the bill, because I was of the opinion that the Commerce Committee, not being a legislative committee which could consider the various loan agencies or which had initially considered the loan agencies, should not be asked to go into the question of prescribing additional limitations or restrictions on these agencies.

Mr. O'MAHONEY. I recognize the soundness of that view, but I desire to ask the Senator whether it is his opinion that Congress should now consider, through the proper committee, the imposition of regulations and control whereby the Congress can exercise a greater degree of direction over the activities of these loaning agencies?

Mr. GEORGE. I certainly do; I think it is imperative; and I may say that the Senator from Vermont, I believe, and the Senator from Virginia have both presented me with amendments which would subject the R. F. C. and the various other loaning agencies to the scrutiny of the Comptroller General and require the Comptroller General to make an annual report. So far as I am concerned, I would not resist that type of an amendment even on this bill, but in the first instance I did not think it proper to ask the Commerce Committee to give consideration to the organic act of any one of the loan agencies, the Commerce Committee not having jurisdiction over them, but it did have, I think, clearly, jurisdiction over the Department of Commerce and over what should go into or be kept out of the Department of Commerce.

Mr. O'MAHONEY. I suggest that the adoption of any amendment or any provision which would extend to the General Accounting Office the power to audit the R. F. C. would not of itself provide Congress with the supervisory powers which, in my judgment, Congress should exercise.

Mr. GEORGE. Not at all; I did not mean to say it would be exhaustive.

Mr. O'MAHONEY. I understood the Senator did not.

Mr. GEORGE. But the amendments themselves contemplate a pretty rigid scrutiny by the Comptroller General, with a report to the Congress at stated periods, which would presuppose at least congressional scrutiny of the agencies.

Mr. O'MAHONEY. Mr. President, if the Senator will permit me, I wish merely to say that, in my judgment, this whole incident, and the pending bill particularly, present a challenge to the Congress. There can be no doubt that Congress has allowed these vast powers to gather around the R. F. C. in a manner which I am sure was not understood in its aggregate until the hearings upon the bill were conducted. If Congress now, having full knowledge of the vast powers over our entire system which are vested in the R. F. C. and its affiliated organizations, should permit this matter to drift, it would be a very sad day, in my judgment, both for the Congress and for the country.

Mr. GEORGE. I fully agree with the Senator. I have no doubt that the members of the committees having legislative jurisdiction over the agencies themselves will take appropriate steps to tighten the control of the Congress over the agencies.

Mr. President, I have now said all I care to say regarding the merits of the bill. I merely wish again to emphasize the fact, which is a fact, that for some time I contemplated offering a bill of this character, which, but for the question of jurisdiction to which I have referred, would have been much more comprehensive than the bill actually now before the Senate.

I do not believe any Cabinet officer should be given the vast powers which are granted under existing law and Executive order to the Department of Commerce. I say that for the reason that the Cabinet officer himself becomes the actual adviser of this body. The Secretary of the Treasury has an all-powerful voice in the making of taxes, the enactment of revenue acts. Every other department sends in its opinions, as it should, of course, but it has a very strong influence in shaping and controlling the activities of Congress.

I do not believe any Government officer, I care not who he may be, should be clothed with this vast power, which so vitally affects the commerce, the industry, the finances, and, indeed the whole business of the country, and can so certainly influence its social and political life, as the Department of Commerce might today affect and influence our lives.

I therefore believe that the Congress owes the duty to the American people of taking this initial step, to be followed by other effective steps to constitute these lending agencies by congressional action in such a way that the Congress can better scrutinize, control, and direct their affairs.

Mr. BAILEY. Mr. President, I wish to make a very brief statement in view of the vote I shall cast on the bill, and my attitude on it. I feel that it is my duty to do so because I was a member of the Committee on Banking and Currency when the original Reconstruction Finance Corporation Act was passed, during the Hoover administration.

As we all know, at that time the economic condition of the country had come to a pass where credit was unavailable from the ordinary sources of credit for legitimate business, for manufacturing industries, and for other purposes for which money is usually loaned. The Reconstruction Finance Corporation was set up to bridge that chasm, and to function largely where private lending agencies were unable to function.

I do not have the act before me, but my recollection is that in the original law we provided that loans should be made with such security as practically to guarantee the repayment of the loans to the Reconstruction Finance Corporation, so far as security could do so. It was set up originally as a lending agency, the Congress recognizing that the Government had sources from which to obtain money and credit which private institutions did not possess, or, if they possessed them, they were not in a position or were not willing to make the money available to the business world.

Later the Reconstruction Finance Corporation Act was amended, whereby the original rigidity of the security requirement was somewhat modified to provide that such security should be exacted of the borrower as to make it reasonably sure that the loan would be repaid.

I mention these things because the Reconstruction Finance Corporation was not created as an elemosynary institution. It was created as a lending agency, with restrictions thrown around it by Congress itself so as to make it reasonably sure that the money loaned would be repaid to the Government. That was regarded as wise, because the money loaned by the Reconstruction Finance Corporation was obtained either by taxes collected from the people, or by loans made by the people to the Treasury of the United States, from which the Reconstruction Finance Corporation in part got its money, the rest of it being obtained by issuing bonds guaranteed by the Government. So that it was the same thing in a different garb.

The war came on, the Reconstruction Finance Corporation was expanded, and Congress authorized the creation of subsidiary corporations, such as the Rubber Reserve Corporation, and the Defense Plants Corporation. Following the floods of 1937 I myself, in conjunction with the then Senator from Ohio, Mr. Bulkley, introduced a bill creating the Disaster Loan Corporation, to make loans to those who had been damaged by the floods.

When the war came on, of course, the functions of the Reconstruction Finance Corporation and its subsidiaries were inevitably and inseparably connected with the war effort. The power of the Reconstruction Finance Corporation and its subsidiaries was expanded by Congress and by Executive order. That was inevitable, but the time will come, if it is not now here, when Congress must consider the whole picture of the function of the Reconstruction Finance Corporation and its subsidiary corporations.

Congress, it seems to me, will be required to consider whether the Reconstruction Finance Corporation, by any revamping of the law itself, or by any expansion of the Corporation's functions, or any adjustment or rearrangement of its facilities shall become an agency for dealing primarily with social questions rather than financial questions, admitting the inability of separating the two in a sense, because every time a bank loans money to a borrower it creates a social situation which may be to the advantage of the borrower or to his associates in business or to his employees. When we created the Disaster Loan Corporation for the benefit of the river valleys which had been devastated we undoubtedly affected the social welfare of people who were eligible to obtain loans and did obtain loans. But that was not the primary consideration. We made these loans through the Disaster Loan Corporation because banks were not in a position to do it, and because the terms of credit had to be a little more generous than a bank would be justified in giving.

So that I myself, having gone through the history of the R. F. C. on the Banking and Currency Committee, take the position that we must at a very early date consider what function the R. F. C. and its affiliates are to perform in the post-war period. It ought not to be left to chance. I think we must consider legislation of that sort, and, so far as I am concerned, as a member of the Banking and Currency Committee which has jurisdiction over legislation affecting the loan agencies, I shall myself feel it incumbent upon me to urge at the earliest date that we decide what is to be the function of the Reconstruction Finance Corporation and all its affiliates.

Mr. President, I wish to say another thing. The President by order No. 1, under the Reorganization Act, as the Senator from Georgia [Mr. GEORGE] pointed out, set up the Federal Loan Agency. Mr. Jesse Jones was made the head of that Agency. The President desired to appoint Mr. Jones Secretary of Commerce. According to Mr. Jones' statement in the hearing, he did not seek that appointment; he did not seek this double duty. Later on when it was again suggested, Mr. Jones replied—and as I recall he so stated in his testimony—that he could not hold both offices under the law. It was then that Mr. Jones was requested to take whatever steps were necessary to cause Congress to enact a law which would refer only to him by name, authorizing him, notwithstanding any law then in existence, to occupy the position of Secretary of Commerce at the same time he occupied the position as head of the Federal Loan Agency. That was back in 1940. The measure was promptly passed by both Houses, and I dare say that Congress was induced to pass it largely because Congress felt that Mr. Jones had done a splendid job as head of the R. F. C. and other lending agencies, and that if he was to be Secretary of Commerce also, Congress did not wish him to be required to give up the control of the lending agencies. I believe that confidence of Congress was justified, for I think, and I am not at all hesitant in saying so, that Mr. Jones did a splendid, outstanding job as head of the Reconstruction Finance Corporation and as head of the lending agencies after they were consolidated and he was appointed Administrator.

Mr. TOBEY. Mr. President——

The PRESIDING OFFICER (Mr. LUCAS in the chair). Does the Senator from Kentucky yield to the Senator from New Hampshire?

Mr. BARKLEY. I yield.

Mr. TOBEY. The President of the United States also felt the same way, as indicated by the verbiage in his letter to the Honorable Jesse Jones asking him to resign, did he not?

Mr. BARKLEY. The President stated in his letter substantially what I have stated.

Mr. TOBEY. Exactly. I simply wanted the Senator to bring that out.

Mr. BARKLEY. The President's letter speaks for itself, and I agree with what the President said concerning Mr. Jones' record. I have repeatedly so stated here on the floor, and it has been my attitude in the Banking and Currency Committee, as every member of the committee knows.

Two years ago the President issued an order transferring certain functions of the Federal loan agencies to the Department of Commerce or to the Secretary of Commerce. I have forgotten whether the order transferred them to the Department or to the Secretary, but I believe to the Department of Commerce. I am sure that in the President's opinion he had some good reasons for making that transfer, but I do not know what that reason was, because Mr. Jones, being both Secretary of Commerce and the head of the Loan Agency, occupying both positions by the consent of Congress, was in charge of both, and it was like taking money out of one pocket and putting it into another of the same pair of trousers.

Two years ago, Mr. President, I had occasion to express my opinion about the consolidation of the duties of the Secretary of Commerce, and also about the extra Vice Presidential duties of Mr. Wallace, who was at that time head of the Board of Economic Warfare. During the rather unfortunate newspaper controversy between Mr. Jones and Mr. Wallace about the purchase of critical materials, I was asked by a very high authority in the executive department of the Government what I thought about it, and I said what I thought, and I am going to repeat here what I said. I said that I believed that any man elected Vice President of the United States, the second highest office within the gift of the American people, ought to devote his entire time, so far as his official duties were concerned, to the performance of his duties as Vice President; that that was a full-time big man's job if it was looked after properly, and that therefore I did not believe the President ought to have made or ought to have retained Vice President Wallace as head of the Board of Economic Warfare.

I notice in the newspapers that the new Vice President has adopted that theory by saying that he is not going to do anything else except be Vice President, and since his retirement from the office, the former Vice President, Mr. Wallace, has in a newspaper interview announced that he does not believe the Vice President ought to be saddled with any other duties except the duties of the Vice President. So we all agree about that.

At the same time I said I thought the job of being Secretary of Commerce was sufficiently important to occupy the entire time of any man. It is a Cabinet position. It is a high honor. That office deals with our industrial and commercial life, both domestically and internationally, and I believe that any man who is appointed to a Cabinet position, whether it be Secretary of Commerce or other Cabinet office, though the Secretary of Commerce was the position especially under discussion, ought not to be "saddled," if that is the proper term, and using the quotation from the Vice President, with another job as big or bigger than that of being Secretary of Commerce. I thought that the Secretaryship of Commerce was a full-time big man's job, and that being administrator of the Federal lending agencies was also a full-time big man's job, and that the two jobs ought not to be combined. That was my opinion 2 years ago; it is my opinion now, and that explains that my attitude respecting the George bill has not been induced by the appointment of Henry Wallace as Secretary of Commerce.

Mr. President, I believe the George bill ought to be passed. I think it will be passed by the Senate by a very large majority, and I will say that I have every assurance from the other end of the Capitol that it will be taken up, if passed here, and promptly disposed of over there. What the President will do with it I am not in a position to say, but that is not our particular concern at the moment. In spite of the enthusiasm of those who think that as it is now constituted and created the R. F. C. and the Federal loan agencies, without any further enactment of Congress or without any restrictions, or without Congress charting the highway to be traveled by the R. F. C. and its affiliates, ought to constitute themselves, under present conditions, the sole and only post-war agencies for the doing of many things which we have in mind as necessary when the war shall end, I believe Congress would not be justified in sanctioning such action.

Mr. REED. Mr. President, will the Senator yield to me before he takes his seat?

Mr. BARKLEY. I yield.

Mr. REED. I wish to express my complete agreement, Mr. President, with the policy which the majority leader has just announced.

I shall now ask the majority leader a question in order to satisfy a burning curiosity which exists on this side of the aisle. The majority leader is appearing in the Senate today with some covering over his left optic. A Democratic caucus was held this morning. None of the Senators on this side of the aisle were permitted to be present at that caucus. To satisfy the curiosity of some of us

on this side of the aisle, I inquire of the Senator from Kentucky whether there is any connection between the condition of his left optic and the Democratic caucus held this morning?

Mr. BARKLEY. I will answer the Senator frankly. If the Republican Members of the Senate had allowed us on this side of the aisle to sit in on their caucus held the other day respecting Henry Wallace, we would have reciprocated by inviting them to sit in on ours.

Mr. REED. None of our Senators appeared in the condition in which the distinguished Senator from Kentucky appears today.

Mr. BARKLEY. I hope none of the minority members will ever appear on the floor of the Senate in the condition in which I appear at the moment. I probably look more like Dead-Eye Dick than a United States Senator. [Laughter.]

Mr. REED. The Senator from Kentucky knows how deeply I sympathize with him.

Mr. BARKLEY. I will explain to the Senator why I am wearing this patch. The Senator may recall that during December I had an ulcer on the cornea of my left eye, which healed, and I thought there would be no further difficulty. Ten days or 2 weeks ago it recurred, and I had to resume my incarceration in the hospital. It has again healed, and I hope it will not again recur. However, the doctor told me that I ought to wear this patch on my eye to protect it from wind; and I thought I ought to wear it in the Senate. [Laughter.]

Mr. President, that is all I have to say. I wished to give the background of my position on the George bill, which I intend to support when it comes to a vote. I hope it will be enacted into law.

Mr. PEPPER. Mr. President, I shall not trespass upon the time of the Senate. While I have the greatest respect and deference for the views of Senators who are supporting the pending bill, in the present state of the record I am not in a position to be in accord with those ideas. Without taking the time of the Senate, therefore, and without endeavoring to repeat the sentiments which I feel on this subject, I ask unanimous consent that the minority views on the bill be printed in the RECORD at this point as a part of my remarks.

There being no objection, the minority views were ordered to be printed in the RECORD, as follows:

MINORITY VIEWS ON S. 378

As Mr. Wallace said in his testimony before this committee, it is obvious that the occasion for the introduction of S. 378 was the nomination of Mr. Wallace to be Secretary of Commerce by President Roosevelt. Further, as Mr. Wallace said in his testimony:

"There are some who have suggested—perhaps in an effort to save my feelings or face—that this separation of the lending functions from the Commerce Department is desirable because of my alleged lack of experience in such field. Let me say that this talk does not fool me or the American public. You know and I know that it is not a question of my 'lack of experience.' Rather it is a case of not liking the experience I have."

Further in his testimony Secretary Wallace spoke of his own experience as follows:

"For 8 years I was Secretary of Agriculture. During that period the Commodity Credit Corporation, the Farm Security Administration, the Farm Credit Administration, and the Rural Electrification Administration were under my supervision. During that period these agencies loaned over $6,000,000,000. We made 11,000,000 separate commodity credit loans and 1,900,000 rural rehabilitation loans. We arranged the financing to permit 36,184 tenant farmers to buy their own farms."

In addition to this experience as Secretary of Agriculture for 8 years, Mr. Wallace was Chairman of the Supplies, Priorities, and Allocations Board in the most critical period of the defense effort. Later Mr. Wallace did pioneer work in setting up the Board of Economic Warfare. Mr. Wallace has traveled extensively through the United States, South America, Europe, and the Orient on behalf of the United States Government as Vice President of the United States. Mr. Wallace is admittedly one of the foremost students of economics and political science in this country.

As Vice President during the last 4 years he sat in the meetings of the President's Cabinet; by virtue of his several positions he has been in intimate contact with the mobilization of the Nation's economy for the war effort.

No question has been raised as to Mr. Wallace's integrity, his intelligence, his industry, or his general competency. No single case of either bad administration, lack of foresight, or competence in the performance of any of the very responsible duties which have been under his charge, has been pointed out by the opposition. Indeed, the opposition has referred to no subject, no book, no statement, no set of circumstances or combination on the part of Mr. Wallace which gives rise to the bitter fight which is being made in the Senate to keep him from being Secretary of Commerce and having general supervision of the lending agencies of the Government in the same way that Mr. Jesse Jones has occupied the office of Secretary of Commerce and exercised those supervisory functions for the past 4 years.

One cannot escape the conclusion, therefore, that as Mr. Wallace further said in his testimony:

"The real motive underlying these suggestions for stripping the Department of Commerce of its vast financial power has, of course, nothing to do with my competence to administer these powers. The real issue is whether or not the powers of the Reconstruction Finance Corporation and its giant subsidiaries are to be used mainly to help big business or whether these powers are also to be used to help little business and to help carry out the President's commitment of 60,000,000 jobs.

"In other words, the question is really one of whether this committee, the Congress, and the American public want these enormous financial powers utilized and invested in free America—in a prosperous America."

The bill then presents the issue which Mr. Wallace posed in the question "Shall we approach the problems of peace with the same boldness of conception, the same courage and determination, as we have approached the problems of war?"

Mr. Wallace presents simply, courageously, and clearly the policies which he would pursue in the performance of the duties of Secretary of Commerce as they now exist.

He takes as his premise the preservation and stimulation of free enterprise and the promotion of the well-being of all the people of America. He tells this committee that if he is confirmed as Secretary of Commerce with supervision over the lending agencies that he will administer the agencies in the spirit of these policies. To use Mr. Wallace's own words:

"For I can tell you here and now that if the R. F. C. is left in the Commerce Department, I will use the powers in the interest of all the American people."

And, Mr. Wallace says with equal candor:

"If the Congress does not feel that the powers of the R. F. C. should be exercised in such a way as to further the objectives which I have set forth here, then I respectfully urge the Congress to take the R. F. C. out from under the control of the Commerce Department."

In his statement of policies, Mr. Wallace specifically enumerates the economic bill of rights embodied in the President's message to Congress as follows:

"The right to a useful and remunerative job in the industries or shops or farms or mines of the Nation;

"The right to earn enough to provide adequate food and clothing and recreation;

"The right of every farmer to raise and sell his products at a return which will give him and his family a decent living;

"The right of every businessman, large and small, to trade in an atmosphere of freedom from unfair competition, and domination by monopolies at home or abroad;

"The right of every family to a decent home;

"The right to adequate medical care and the opportunity to achieve and enjoy good health;

"The right to adequate protection from the economic fears of old age, sickness, accident, and unemployment;

"The right to a good education."

Mr. Wallace then in his address to the committee commented upon and amplified the eight points in this bill of rights of the President, and disclosed his general views and ideas with respect to the implementation of each of these points. Nowhere did Mr. Wallace intimate that he would exercise any authority which was not within the scope of the statutes governing the lending agencies now under the jurisdiction of the Department of Commerce. Nowhere did he question the necessity of having the approval of Congress if he were to attempt to exercise any authority not now conferred upon the Federal lending agencies. In fact, unlike his predecessor, he stated that if he were in charge of the lending agencies he would come to the Congress and seek legislation from the Congress permitting him to carry out the specific policies and projects which he thought were in the public interest and within the scope of the lending agencies generally. Specifically, in contrast to the policy of his predecessor, he stated that he thought the lending agencies should be subject to the audit of the Comptroller General and under the general supervision of the Director of the Bureau of the Budget. Mr. Wallace, therefore, far from manifesting any desire to ignore the statutes or the sentiments of Congress has shown every respect for the laws by which he would be governed in the administration of this agency and for the opinion of the Congress in the performance of his duties.

Not only did Mr. Wallace affirm his belief in private enterprise but the burden of his whole address to the committee was to show that the lending agencies properly employed could be a great bulwark to private enterprise in the United States and in the world. He went further and set out specific suggestions as to how he would help private enterprise by making credit and capital available for foreign trade, for small business and for new enterprises, and for the stimulation of the economy of those parts of the country which heretofore have not kept pace with the more favored regions of the Union.

The most severe critic of the former Vice President cannot find in his address to the

committee one objectionable word, in our opinion.

On the other hand, he shows an understanding of our economy and the world economy which is surely needed in one who is to direct the agencies under the control of the Federal Loan Administration. He shows an understanding of the principles which must govern our foreign trade, of the economic significance of full employment and of the lack of full employment in this country. He shows an understanding of the necessity of the free flow of investment capital essential to the progress of the Nation. He grasps the significance of education and of health as the firm foundation upon which the Nation can be strong.

Mr. Wallace made the statement to the committee that the first problem facing him was the winning of the war; second, the winning of the peace; and third, the providing of full employment for the people and adequate markets for the business and agriculture of the Nation.

Mr. Wallace proved himself to be a farseeing man by his efforts to build up stock piles of rubber as early as 1940, by the research program which the Department of Agriculture carried on in the field of rubber production while he was Secretary, and by his activities in developing sources in South America for strategic and critical war material, even before the war.

Few men who have ever appeared under similar circumstances have more courageously and candidly opened their minds to a Senate committee than did Mr. Wallace to this committee.

Why then the bitter opposition to Mr. Wallace? Why are Senators determined, even before Mr. Wallace is to be confirmed, to strip the office of Secretary of Commerce of these lending agencies? What is the alleged lack of experience and lack of confidence to which Senators refer without giving any indication to what they have in mind? Why are some Senators determined to prevent Mr. Wallace from being confirmed as Secretary of Commerce with the lending agencies stripped from it? The only rational conclusion which one can arrive at, is that those who would strip the Secretary of Commerce of the lending agencies which are now supervised by him, are opposed to what Wallace stands for and believes in and are opposed to the objectives which he has stated will guide him in the performance of his duties.

We agree with Mr. Wallace and not with his opposition. We believe not only in Mr. Wallace's integrity and his competence and his efficiency, but we believe also in the objectives which Henry Wallace symbolizes. We believe in the America which Henry Wallace is trying to help build. We believe that the things Henry Wallace believes in are essential to the maintenance and the growth of private enterprise in America. We believe that only if the office of Secretary of Commerce and all the Federal lending agencies are administered in the spirit of what Henry A. Wallace believes in, and in the interest of furthering those policies Henry A. Wallace laid down to the committee, can we have a fully employed and a prosperous America.

We believe that if Henry Wallace had 1 year of opportunity as Secretary of Commerce to direct the policies of the lending agencies now under that office, he would do it with such administrative competence and such wisdom of policy that it would meet with the overwhelming approval of the people of the Nation and of the Congress.

Accordingly, we cannot conscientiously refrain from saying that stripping the office of Secretary of Commerce of supervision of the lending agencies, if Henry Wallace is to be the incumbent of that office, would be a tragedy not for Henry Wallace but for America and to a considerable extent for the entire world. The Nation needs Henry A. Wallace in this place. The farmers need him. All businessmen, large and small, need him. Both labor and capital need him. The President needs him. The Congress needs him.

The undersigned, therefore, earnestly hope that in its wisdom the Senate may not, either out of misunderstanding or out of any other motive, lend a hoodwinking which will, possibly missing its victim, come back to do greater harm in the long run to the people's representatives and the people themselves.

We oppose at this time, therefore, the enactment of S. 279.

CLAUDE PEPPER.
THEODORE G. BILBO.
JAMES M. MEAD.
WARREN G. MAGNUSON.

JANUARY 31, 1945.

Mr. TAFT. Mr. President, I intend to vote for the bill because I have always been in favor of scattering power as much as it can be scattered; but so far as the bill accomplishing any real purpose is concerned, I do not believe that it would accomplish any purpose whatsoever.

The real difficulty with the R. F. C. is that its powers are grossly excessive. We gave unlimited power to the R. F. C. to go into any business having the remotest relation to the war—and that means any business. We gave it power to form corporations for that purpose. We gave it so many billion dollars that no one knows how many billion dollars it has. The laws are scattered through the books in such a manner that it is almost impossible to calculate the amount involved. I believe it has the power to borrow about $14,000,000,000 and relend it. It probably still has about $5,000,000,000 that it can lend for any purpose whatsoever.

When the bill which expanded it most came before the Senate for consideration in June 1940, former Senator Danaher and I opposed it. We succeeded in cutting down slightly the powers which were granted to the R. F. C. The R. F. C. came before Congress in May 1941, and again we endeavored in the Committee on Banking and Currency to hold its powers down as much as we could, but we were overridden. Finally a sort of compromise was reached.

The great difficulty in this whole situation is that we have given too much power to the R. F. C. As to the distribution of powers, there is no reason in the world for this bill except the desire to limit Henry Wallace, so that although he may become Secretary of Commerce, he may not also exercise the powers of the R. F. C. There is no other reason for this bill. Obviously it would not have been introduced except for that purpose. Mr. Wallace recognizes that fact. In his testimony before the committee he recognized that that was the only reason for the introduction of the bill.

Members of the Senate feel that Henry Wallace is not competent to administer the R. F. C. It is not a question of his competency to administer the Department of Commerce and the R. F. C. together. The only possible reason for this bill is that many Senators have no confidence in Henry Wallace, because they do not believe in his philosophy, and that by taking this power away from him they can in some way limit him. I believe that is a vain effort, because under the First War Powers Act we have given the President power to transfer and consolidate departments. Tomorrow, the moment Mr. Wallace became Secretary of Commerce, the President could place in his charge the Foreign Economic Administration, which has the export-import bank, which controls the United States Commercial Company, with a capital of $1,000,000,000. The day after that he could tell whoever was in charge of the R. F. C. to give the United States Commercial Company another $3,000,000,000; and a man appointed by the President and confirmed by the Senate could not well refuse to carry out such an order.

Mr. BREWSTER. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. BREWSTER. Does not the Senator feel that the educational value of this nomination and all it has precipitated may make it opportune for the Congress to reconsider some of the vast grants and transfers of power which the Senator has always questioned, and which I have always questioned? Perhaps Senators on both sides of the aisle who have given such enormous grants of power because of confidence in a man—which is a poor basis for legislation—may not be disposed to place some further restrictions on the powers both of the President and of other executive officers.

Mr. TAFT. I hope that may be the result; but that is not the result. Apparently the nomination of Mr. Wallace will be confirmed, if the Senate chooses so to vote, for the position of Secretary of Commerce alone, before any such reconsideration can take place. I am quite confident that it would require a fairly long time. The Reconstruction Finance Corporation involves the whole problem of how far Government is to continue in the lending business in the post-war period. That is a very involved and difficult question. I doubt very much whether it will be decided in the next 6 months or the next year. I hope such a study may be undertaken. I hope the present situation will promote the undertaking of such reconsideration. I believe we have reached the point where we could well repeal section 1 of the First War Powers Act, which was taken from the Overman Act of the First World War; but I do not believe that will be done. I have not seen any pressure on the part of the administration to cut down its own powers; and it is very difficult to organize against the administration to reduce its powers.

Mr. BREWSTER. I believe we must distinguish between the administration and the Senate. In view of what is happening here today, it seems quite evident that a considerable majority of the Senate is disposed to take away some of the powers, or at least to prevent their transfer into the hands of the Secretary of Commerce. I think it is fair to point out that it was not possible, in the bill before the Commerce Committee, to go beyond what was done, because of the question of jurisdiction which is involved, and because the Commerce Committee clearly recognized that it had no right to enter the domain of the Committee on

Banking and Currency. But certainly there is afforded an illuminating illustration of what may now be possible in view of changed circumstances.

Mr. TAFT. I can tell the Senator what would happen in the Committee on Banking and Currency, or any other committee, if a bill to limit the powers of the R. F. C., or otherwise reduce extraterritorial power were to be introduced. The chairman of the committee, under pressure from the administration, would postpone hearings from month to month. Finally there would be hearings, and then the committee would not be called together to act. In the end we might accomplish some results; but, as a practical matter, up to this time, at least, Congress has not taken away any powers that I know of. It is a very difficult thing to do practically.

When the price control bill comes up it will be pointed out that the post-war period is just as important as the war period, that it is still an emergency period, and that it will be a difficult matter.

I do not say it should not be done. I only say that, so far as we are concerned now, and in view of the nomination of Mr. Wallace as Secretary of Commerce, what we are attempting to do is wholly vain unless we do what the Senator from Maine has suggested, namely, unless we repeal the War Powers Act, for Mr. Jones himself appeared twice before our committee, and said the R. F. C. does not determine policy. He said, "If the War Department tells us to build a war plant, we build a war plant. If the Navy Department tells us to build a Navy plant, we build a Navy plant. If the Foreign Economic Administration tells us to make a loan in South America, we make the loan; because," he said, "we do not consider ourselves a policy-making organization."

It is true that Mr. Jones may have exercised a little restraint; he may have balked a little, and may have taken some matters to the President; but in the ultimate analysis, under present conditions the head of the RFC is obliged to accept the orders of the various departments which administer policy. So, if Mr. Henry Wallace had assigned to him, as he may have, the Foreign Economic Administration, and if he directed the R. F. C. to make a loan for a pipe line in Arabia, I have no doubt whatever that under the existing Executive orders the head of the R. F. C. would feel obliged to make such a loan.

So far as the real purpose of the bill is concerned, namely, to deprive Mr. Wallace of powers which the Commerce Committee does not think he is qualified to exercise, I say that purpose is not effectuated by the bill. Every argument against the confirmation of the nomination of Mr. Wallace as R. F. C. Administrator applies equally to the question of the nomination and confirmation of Mr. Wallace as Secretary of Commerce.

Mr. BREWSTER. Mr. President, will the Senator yield?

Mr. TAFT. I yield to the Senator from Maine.

Mr. BREWSTER. Is it not also true that if the country is under the danger of the malign influence of the views of Mr. Wallace, it would be perfectly possible, regardless of whether he was in authority, for him to carry out those views if the President chose to use him in some such way as he has used Mr. Harry Hopkins, for Mr. Harry Hopkins, in Rome, has been announcing the foreign policy of the administration and the changes which have occurred, although, so far as I know the nomination of Mr. Hopkins in any capacity has not come before the Senate.

Mr. MAYBANK. Mr. President——

Mr. TAFT. Mr. President, if I may correct the Senator, let me say that Mr. Hopkins' name was before us. His name was presented to the Senate as Secretary of Commerce. His nomination was confirmed by a vote of 58 to 27. I think I can even tell the Senate the names of the Senators who voted against the confirmation of his nomination, namely, most of the Republican Senators and also the Senator from Georgia [Mr. GEORGE], the Senator from Rhode Island [Mr. GERRY], the Senator from Alabama [Mr. HILL], the then Senator King of Utah, and the late Senator Van Nuys, of Indiana. They voted against confirmation of the nomination of Mr. Hopkins, at that time.

Mr. BREWSTER. Mr. President, if the Senator will further yield to me, let me say that I was referring to Mr. Hopkins in his present incarnation as sort of a combination of Rasputin and Colonel House and Svengali. So I think it should be made clear that we are not in any way whatever eliminating the evil influence Mr. Wallace has by his defeat for any office, but rather we would contribute to the aspects of martyrdom which undoubtedly will earnestly be urged.

Mr. TAFT. Mr. President, apparently the Senator has a new argument for the confirmation of the nomination of Mr. Wallace as Secretary of Commerce, namely, that although he is not competent to exercise the broad powers of Federal Loan Administrator, he will be a martyr unless we confirm his nomination. It seems to me that argument is wholly illogical. Certainly I never heard urged before the argument that we should confirm the nomination of a man to an office, although he is incompetent, merely because if we do not confirm his nomination he will be a martyr. As a matter of fact, if Mr. Wallace becomes Secretary of Commerce he will sit in all Cabinet meetings at the White House. But the Federal Loan Administrator will not sit in those meetings and Mr. Wallace's views as to what the R. F. C. Administrator will do will certainly be far more important in that position than will be the views of the man who may be made the Administrator under the set-up proposed by the pending bill.

Mr. HILL. Mr. President, will the Senator yield?

Mr. BREWSTER. Mr. President——

Mr. TAFT. I yield first to the Senator from Alabama.

Mr. HILL. Mr. President, the distinguished Senator from Ohio has spoken about Mr. Wallace's incompetence. From what the Senator from Ohio has said, I think it is evident that the question is not whether Mr. Wallace is incompetent. The proposition is that he is too competent; he is too able and too effective for the views which he holds. I realize that Senators may well differ with him respecting his views. But the question is not one of whether he is incompetent. If he were weak, if he were a bungler, if he had not been effective, if he had more or less failed and did not know how to do a job, and if his record did not show that he knew how to do a job, there would not be so much worry and so much distress and so much opposition about his nomination. It is because he is effective that those who do not share his views oppose his being placed in a position in which they know he will be competent and effective from his viewpoint.

Mr. TAFT. Mr. President, let me inquire whether the Senator is going to vote to take away from him the powers of the Federal Loan Administrator.

Mr. HILL. Mr. President, I desire to be perfectly frank with the Senator. I should like to see Mr. Wallace have the loaning powers. I do not favor the passage of the George bill, from the standpoint of taking away from Mr. Wallace the loaning powers. I have been in politics a long time, and I know there are times when it is necessary to make a virtue of political necessity. If I should vote for the George bill, it would only be because I am so anxious to see Mr. Wallace's nomination as Secretary of Commerce confirmed. I would do it because I knew that such a vote would be necessary in order to have Mr. Wallace's nomination as Secretary of Commerce confirmed.

Mr. TAFT. The Senator recognizes that a majority of the Senate is unwilling to trust to Mr. Wallace the powers of the Federal Loan Administrator which have so long been exercised by Mr. Jones.

Mr. HILL. I recognize that a majority of the Senate is unwilling to turn over to Mr. Wallace, effective and competent as I believe him to be, the administration of the lending agencies, holding the views he does.

Mr. TAFT. Mr. President, on the question of the nomination and qualities of Mr. Wallace, I shall be glad to speak when the nomination is before the Senate. Apparently the administration and Mr. Wallace himself are afraid to submit his name to the Senate on the question of nominating him as Federal Loan Administrator. That is the reason for the present proceedings. That is the reason for the refusal to go into executive session. It is the reason for the motion the distinguished senior Senator from Kentucky [Mr. BARKLEY] proposes to make, namely, to postpone for a month or more the question of the consideration of Mr. Wallace's nomination.

Mr. SHIPSTEAD. Mr. President, will the Senator yield?

Mr. TAFT. I yield to the Senator from Minnesota.

Mr. SHIPSTEAD. I must say that what the Senator from Ohio said about the futility of proposing to amend the

R. F. C. Act because of his anticipation of what the chairman of the committee would do, namely, that he would not hold hearings, compels me to state that it seems to me that it is well to bear in mind that the chairman of a committee is the servant of the committee. I do not think any chairman has the right to "sit" upon any bill which a majority of the committee desires to consider.

Mr. TAFT. Mr. President, if the Senator will permit me to interrupt him, let me say that I did not intend in any way to reflect on the particular Senator who is chairman of the Committee on Banking and Currency.

Mr. SHIPSTEAD. No.

Mr. TAFT. I only wished to point out that the administration is far stronger in its control of the committees in being able to block legislation, than it is in being able to force legislation of its own through the Senate. That is always a natural situation. Questions and considerations of committee procedure are necessarily far more largely a question of organization.

Mr. SHIPSTEAD. Yes.

Mr. TAFT. My only suggestion was that it is very difficult to put through a bill against the administration, even though possibly when the bill comes to a vote on the floor of the Senate a majority of the Senate is in favor of its passage. It is quite true that that should not be the condition, but it is the condition in every legislative body, and usually the only chance there is to get at a proposition is when the majority party or the majority administration come to the Senate and request something. Then, of course, they must submit their proposition directly. I did not mean to reflect in any way on any particular committee chairman, but I simply refer to the condition of any legislative body.

Mr. SHIPSTEAD. Mr. President, if the Senator will further yield, let me say that I understood that when I referred to the chairmen of all committees, I do not think a chairman has a right to "sit" on a bill or an amendment to a bill which has been referred to a committee, if a majority of the committee desires to consider the proposed piece of legislation. So far as I am concerned, with the pending bill as it now stands I am not satisfied. To a considerable extent it means what the Senator from Ohio has said it means. I understand amendments are to be offered to place the R. F. C. organization under the General Accounting Office. That should have been done a long time ago. As the Senator from Ohio has said, the R. F. C. is not a policy-making organization. The policies are left to too many Toms, Dicks, and Harrys to handle and shovel out the funds. I am not sure that the bill should not be referred to the committee for further study, and to rewrite it so as to safeguard not only the policy-making functions with respect to loans, but also to provide an independent audit by the General Accounting Office. The many funds are shoveled out for many purposes. I doubt not the legality but the good sense of allowing the War and Navy Departments to call for billions upon billions of dollars and having some department hand the money out to them. It seems to me to be a very haphazard way of doing business. Perhaps that is the reason there is so much waste in public funds today.

Mr. TAFT. I agree with the Senator from Minnesota. I think we could well cancel perhaps four or five billion dollars of the R. F. C.'s loaning powers, but there would be strenuous opposition if such a proposal were made.

Mr. President, I repeat that the real purpose of the bill obviously is to take away from Henry Wallace the powers to which reference has been made. I am willing to vote for the bill. I was the only Senator who expressed doubt when we passed the bill giving to Mr. Jones the right to exercise both powers. Nevertheless, the functions are very similar. If we were to assign the R. F. C. to any department it would be in the Department of Commerce. I shall vote for the bill only because I believe it to be wise not to repose too many powers in one man; but I think, without question, that the bill shows an entire lack of faith in the ability and philosophy of Mr. Henry Wallace.

Mr. SHIPSTEAD. Mr. President, I do not believe any human being, whether it be Mr. Wallace, Mr. Jones, or anyone else, is qualified to handle all the money which is in the control of the R. F. C. I think the power is altogether too great to entrust to any one individual. I am hopeful that some of the amendments which I understand will be proposed will, to a large extent, remedy the difficulty, but I still believe that the bill should go back to the Commerce Committee for entire revision of the policy which is involved.

Mr. BREWSTER. Mr. President, the problem presented in the Commerce Committee was one of jurisdiction. All the grants of power under the R. F. C. were considered in the Banking and Currency Committee. The only reason the pending bill came to the Commerce Committee was that it proposed to take away powers now exercised by the Secretary of Commerce, over whom our committee has jurisdiction. But any attempt to invade a field which was not then occupied would have been an encroachment upon the jurisdiction of other committees, so I think the Senator from Georgia and the committee were entirely in accord. We could not go beyond the immediate objective of the George bill, which was to divorce the R. F. C. powers from the Department of Commerce.

Mr. SHIPSTEAD. I understand the accuracy of what the Senator has said; but I think it would be perfectly proper to send the bill back to the committee for revision, and to put in additional safeguards in order to protect the funds. To my mind it is unheard of that thirty or forty billion dollars should be handed out merely because someone in authority says "We must have $5,000,000 for this and $5,000,000 for that," and Jesse Jones says, "We must hand it out to them because they determine policies and we only give them the money." It seems to me that such a proposition is ridiculous.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the committee as amended.

The amendment as amended was agreed to.

Mr. AIKEN. Mr. President, there is printed and lying on the desk an amendment which I had intended to offer to the pending bill. The amendment would call for a simple audit of the agencies and corporations created by the Reconstruction Finance Corporation. However, the Senator from Virginia [Mr. BYRD] has an amendment which would go considerably further than the one which I had intended to offer, which calls for a simple audit of those agencies at the end of the year by the Comptroller General. The amendment of the Senator from Virginia is in better form and is more satisfactory than the one which I had intended to offer. I hope that the amendment which he is about to offer will be agreed to by the Senate.

Mr. BYRD. Mr. President, on behalf of the Senator from Nebraska [Mr. BUTLER] and myself I offer an amendment which I send to the desk and ask to have stated.

The PRESIDING OFFICER. The committee amendment as amended has been agreed to. It will be necessary for the Senator from Virginia first to ask for reconsideration of the vote by which the committee amendment as amended was agreed to.

Mr. BYRD. Mr. President, I ask unanimous consent that the vote by which the committee amendment as amended was agreed to be reconsidered.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Virginia? The Chair hears none, and it is so ordered. The committee amendment as amended is before the Senate.

The amendment offered by the Senator from Virginia to the committee amendment will be stated.

The CHIEF CLERK. At the end of the committee amendment it is proposed to insert:

Sec. 8 (a) The financial transactions of wholly owned Government corporations shall be audited by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States. The audit shall be conducted at the place or places where the accounts of the respective corporations are normally kept. The representatives of the General Accounting Office shall have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the respective corporations and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositaries, fiscal agents, and custodians. The audit shall begin with the first fiscal year commencing after the enactment of this act.

(b) A report of each such audit for each fiscal year ending on June 30 shall be made by the Comptroller General to the Congress not later than January 15 following the close of the fiscal year for which such audit is made. The report shall include a statement (showing intercorporate relations) of assets and liabilities, capital and surplus or deficit; a statement of surplus or deficit analysis; a

statement of income and expense; and such comments and information as may be deemed necessary to keep Congress informed of the operations and financial condition of the several corporations, together with such recommendations with respect thereto as the Comptroller General may deem advisable, including a report of any impairment of capital noted in the audit and recommendations for the return of such Government capital or the payment of such dividends as, in his judgment, should be accomplished. The report shall also show how the Budget program (herein provided) was executed and specifically every program, expenditure, or other financial transaction or undertaking, which, in the opinion of the Comptroller General, has been carried on or made without authority of law. A copy of each report shall be furnished to the President and to the corporation concerned at the time submitted to the Congress.

The PRESIDING OFFICER. The Chair will state the parliamentary situation. The hour of 2 o'clock having arrived, the morning hour has expired. There being no unfinished business before the Senate, the consideration of the bill which was taken up on motion earlier today will be continued.

Mr. GEORGE. Mr. President——

The PRESIDING OFFICER. Does the Senator from Virginia yield to the Senator from Georgia?

Mr. BYRD. I yield.

Mr. GEORGE. May I inquire of the Senator whether this amendment has been prepared in consultation with the Comptroller General or his office?

Mr. BYRD. I will say to the Senator that it has been.

Mr. GEORGE. And it can be administered without undue interruption of the corporate functions of the various loan agencies?

Mr. BYRD. The amendment does not cover. I will say to the Senator from Georgia, any question involving the making of loans except to report to Congress any loans illegally made, but does cover the auditing of loans after they are made.

Mr. GEORGE. It simply covers the auditing?

Mr. BYRD. Yes; it does not give the Comptroller General the right to deny the making of loans, but anything that is done that may be of an illegal character, in the opinion of the Comptroller General, will be reported to the Senate.

Mr. GEORGE. The Comptroller General would merely report to the Senate.

Mr. BYRD. Yes.

Mr. MURRAY. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. MURRAY. I should like to inquire if the auditing will cover the transactions which have taken place during the past several years?

Mr. BYRD. No; the auditing is to start with the beginning of the next fiscal year.

Mr. MURRAY. It would seem to me, inasmuch as the R. F. C. has not been subjected to audit or examination and has not been required to make any report, that the audit ought to cover transactions which have occurred during the past several years.

Mr. BYRD. The R. F. C. has not been audited by the Comptroller General; it has been audited by competent auditors, and the reports, as I understand, are made at certain periods to the Committee on Banking and Currency, but, because of the confidential nature of some of the reports on account of the war, they have not been made public.

Mr. MURRAY. Would the Senator be agreeable to having his amendment amended so as to make it apply to past transactions?

Mr. BYRD. I will say to the Senator that I would have no objection to that, but the R. F. C. was organized in 1930, and it would be a vast undertaking to audit all its transactions since that time.

Mr. MURRAY. I suggest that the audit should not go back further than to cover the period of the war effort so as to include the loans and transactions during the past several years. I know of some loans which have been made in connection with which the facts would seem to indicate that there was a reason why there should be an investigation and an audit.

Mr. BYRD. So far as I am concerned, I would have no objection to it if the experts are available. I think the R. F. C. should have been audited from the very beginning.

Mr. MURRAY. I suggest that the date of the audit be fixed as of the commencement of the Seventy-eighth Congress.

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. BYRD. I yield to the Senator from Vermont.

Mr. AIKEN. Would the Senator have any objection to making the provisions of the amendment applicable to the present fiscal year rather than waiting until the next fiscal year?

Mr. BYRD. I think that is an excellent suggestion, and, after I make my statement, if the Senator will prepare the amendment he has in mind, I shall be very glad, so far as I am concerned, to accept it.

Mr. AIKEN. In connection with the matter brought up by the Senator from Montana [Mr. MURRAY] it seems to me that the Comptroller General would necessarily have to go somewhat into the past in order adequately to carry out the provisions of the amendment for the present, would he not?

Mr. BYRD. That is correct. Many of the loans were made of course some time ago and are still outstanding.

Mr. MURRAY. Mr. President, I should like to ask the Senator if he has a copy of his proposed amendment?

Mr. BYRD. Yes; I hand the Senator a copy.

Mr. President, in explanation of this amendment I should like to state that there are 56 Government corporations, and that 20 of them are audited by the Comptroller General and 36 are not required to be audited by law or have not submitted to audit by the Comptroller General.

I should like first to read to the Senate a list of the Government corporations which are now audited: The Commodity Credit Corporation is audited; the Export-Import Bank is audited; the Federal Crop Insurance Corporation is audited; the Federal Farm Mortgage Corporation is audited; the Federal Prison Industries, Inc., is audited; the Federal Public Housing Authority is audited; the Federal Savings & Loan Insurance Co. is audited; the Federal Surplus Commodity Corporation is audited; the Home Owners' Loan Corporation, the Institute of Inter-American Affairs, the Institute of Inter-American Transportation; the Inter-American Educational Foundation, Inc., the Inter-American Navigation Corporation, Prencinradio, Inc., the Smaller War Plants Corporation, the Smithsonian Institution, the Tennessee Valley Authority, the United States Housing Corporation, the Virgin Islands Company, and the Welfare and Recreational Association of Public Buildings and Grounds, Inc., are all audited. The corporations mentioned constitute the 20 which are now audited.

It is proposed by this amendment to require that the other 36 corporations, the names of which I am about to read shall be audited in the same way that every other agency of the Government is now required to be audited by general law. The 36 corporations include American President Lines, Ltd., Banks for Cooperatives, Cargoes, Inc., Colonial Mica, Copper Recovery Corporation, Defense Homes Corporation, Defense Plant Corporation, Defense Supplies Corporation, Disaster Loan Corporation, Electric Home and Farm Authority, Federal Deposit Insurance Corporation, Federal Home Loan Banks, Federal Intermediate Credit Banks, Federal Land Banks, Federal National Mortgage Association, Inland Waterways Corporation, Metals Reserve Company, Panama Railroad Co., Petroleum Reserves Corporation, Production Credit Corporations, Puerto Rico Cement Corporation, Reconstruction Finance Corporation, RFC Mortgage Company, Regional Agricultural Credit Corporation, Rubber Development Corporation, Rubber Reserve Company, Steel Recovery Corporation, Tennessee Valley Associated Cooperatives, Inc.

The Tennessee Valley Authority, apparently, is audited, but the Tennessee Valley Associated Cooperatives, Inc., is not.

Mr. HILL. Mr. President, will the Senator yield there?

Mr. BYRD. I yield.

Mr. HILL. As I understand the Senator's amendment does not cover the Tennessee Valley Authority, which is different from the Tennessee Valley Associated Cooperatives. Is that correct?

Mr. BYRD. The Senator is correct. The Tennessee Valley Authority is already audited.

Mr. HILL. It is already audited under an act of Congress, as the Senator recalls. I was wondering, as the Senator's amendment is now drafted, whether there would be any danger of its language being construed to cover the Ten-

nessee Valley Authority. Has the Senator given any thought to that?

Mr. BYRD. I cannot conceive that there would be, for it is already audited.

Mr. HILL. Yes; it is already audited under a special act of Congress. The Comptroller General, the Tennessee Valley Authority, and the Congress really entered into an agreement for the auditing and how the audit should be made. I notice the Senator's amendment prescribes certain details perhaps with reference to the audit of the R. F. C. and its subsidiaries. I may say that I am in favor of the Senator's amendment, but, not knowing its effect, I should not want to do anything to repeal, modify, or change the special T. V. A. Act.

Mr. BYRD. I will say to the Senator that I understand the Comptroller General thinks that the audit of the T. V. A. is now satisfactory, and this amendment will leave it to his discretion as to what kind of an audit shall be made. It does require, however, that every corporation be audited in accordance with the terms of the amendment.

Mr. HILL. But it is the Senator's opinion that the T. V. A. would not fall under the provisions of the amendment.

Mr. BYRD. That is my opinion, unless the Comptroller General desired to utilize this amendment instead of the present law.

Mr. TOBEY. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. TOBEY. Is the Senator from Virginia aware of the fact that the management and control of the Board of Economic Welfare, as it existed prior to the changes instituted 3 years ago, audited their own accounts and were in full control of their finances without any outside agency, such as the General Accounting Office, having anything to do with it at all?

Mr. BYRD. I think the Senator is correct about that. In addition to those corporations I have already mentioned as not being audited, the Textile Foundation, Inc., is not audited, the United States Commercial Co., which is one of the corporations the Senator has just referred to, is not audited. Others are the United States Spruce Production Corporation, the War Damage Corporation, the War Emergency Pipelines, Inc., the War Hemp Industries, Inc., War Materials, Inc., and the Warrior River Terminal Company. That is a list, Mr. President, of 36 agencies of the Government which have the power to make loans. The total authority of the various corporations, of which 30 are now audited and 36 are not, is $33,207,000,000, as of March 31, 1944. Some of the authorizations have been increased since that time.

Mr. AIKEN. Mr. President, let me add that the sum mentioned no where near represents the amount of money which these corporations handle in their purchase and resale, particularly at this time, of essential materials of war.

Mr. BYRD. The Senator is entirely correct about that, because this is a revolving fund. The great danger and menace of these corporations is that Congress authorizes certain corporations to borrow certain amounts. The funds have been used as revolving funds to be expended for other purposes.

Let us take, for example, the R. F. C. The R. F. C. up to this date has actually loaned $48,000,000,000, from an original authority of about fifteen to sixteen billion. In other words, it has pyramided three times by reason of the fact that the payments which come back to the Reconstruction Finance Corporation are then loaned time and time again as often as they come back.

Mr. AIKEN. Let me add again that these corporations have done an enormous business in buying and selling strategic materials at one price and reselling to the Army, Navy, and Maritime Commission at a marked-up price, so that they have financed themselves by many hundred million dollars of additional sums, the aggregate of which nobody knows. I think the Senator will find that in the case of rubber alone the rubber which is sold by the Rubber Reserve Corporation—which controls all the rubber anyway—to the Army, Navy, and Maritime Commission is marked up 17½ cents a pound above the price at which it is sold for civilian consumption. There have been witnesses before the Committee on Agriculture and Forestry who have testified that there is also a mark-up in the price of alcohol, and, for aught we know, there may be a mark-up in the price of steel and aluminum and everything else bought by these corporations and resold to the Army and Navy. Therefore, in effect, if they do not get the money they want from Congress, they are enabled to finance themselves from the appropriations to the Army, Navy, and Maritime Commission, and no one in the Congress feels like objecting to the amounts which those agencies request. We have no control over that situation whereby subsidiaries of the R. F. C. buy at one price and can sell to the War Department at three times that price if they see fit to do so.

Mr. TYDINGS. Mr. President——

The PRESIDING OFFICER (Mr. MUSSOCK in the chair). Does the Senator from Virginia yield to the Senator from Maryland?

Mr. BYRD. I yield.

Mr. TYDINGS. I think the situation referred to by the Senator from Vermont is much more fortunate than one wherby the R. F. C. would make loans on such a plan that the Government would lose money rather than make money on the transaction. After all, this fund is not only to promote the war effort, but to aid business, and there is no reason why the Government should not make the loans on substantially the same lines as those on which private banks would make them. I know the Senator does not mean any criticism by what he has said, but I should much prefer to have profits shown as a result of the operations than to have a deficit shown because the loans were insecurely financed or poorly managed.

Mr. AIKEN. I think it would be perfectly possible to show innumerable cases in which the Reconstruction Finance Corporation made unfortunate loans to private industry, and then the War Department or the Maritime Commission or the Navy Department bought the plants on which the bad loans were made, at prices in excess of the value. So the Defense Plants Corporation, which made the loan in the first place, is always in the black by reason of throwing loans over onto some other agency.

Mr. TYDINGS. That may be true, but, taking the over-all picture, it is a good one. I have also read recently of many concerns going to banks to obtain capital in order to enlarge so that they could fulfill Government orders and requests, and the banks would not agree to make the loans. The Reconstruction Finance Corporation would then make the loans and resell them at a profit to the very banks which refused the original loans. So that the very magic of Mr. Jones' name and his prestige in the business world has given loans a standing without which they would not have had any chance of being financed, if the Government had not first entered the field. Therefore, my interjection into this colloquy is only to compliment over-all good management of the concern, without endorsing each loan, because it has been conducted in such a way that the taxpayers, who put up the original sum, have not had the sums they advanced depleted. That is a splendid picture, as against one showing that, whereas $17,000,000,000 might have been the initial fund, only $12,000,000,000 remained, and the other $5,000,000,000 had gone down the rat hole. So, while there may be a profit, if we are going into the business of financing private industry, we should never do it at a loss, unless in some extreme case of national defense, where there is no other alternative, and the necessities warrant it.

Mr. BYRD. I thank the Senator. One other policy has been adopted with the corporations which, in my judgment, is unfortunate; that is, that the Commodity Credit Corporation, for example, is paying subsidies out of a fund that is supposed to have been granted to the Corporation for the purpose of lending. Of course, it is nonrecoverable. The R. F. C. has likewise paid very considerable amounts for subsidies which cannot be recovered.

My judgment is that these corporations should be confined strictly to their lending authorities, and not be permitted to make what is equivalent to an appropriation, to be made out of funds provided to these corporations for loans. The loans should be made on a businesslike basis, and should be recoverable.

In connection with what the Senator from Maryland has said, I should like to point out that the R. F. C. has only about one-half the lending capacity of these various corporations. When we speak of the corporations, our thoughts go to the R. F. C., which is the most gigantic banking organization the world has ever known, with facilities to borrow $17,000,000,000, and then to relend the funds as they are paid back, making them into a revolving fund.

As a matter of fact, the other corporations have in the aggregate about the same lending capacity as the R. F. C.; in fact, they have a little more. The Commodity Credit Corporation, for example,

has a $3,000,000,000 lending capacity, but I see a billion and a half more has been recommended, making it four and a half billion dollars. That in itself is one-third as large as the Reconstruction Finance Corporation fund.

Mr. President, of course my amendment in no way completes the obligation the Senate and the Congress have to restore to Congress the control over these vast appropriations. A proposal will shortly be presented by the Senator from Nebraska and myself in an attempt to go further and restore to the Congress the authority to control these corporations in an effective way so as not to interfere too much with their operations. That is very difficult legislation to prepare, but the pending amendment will secure for Congress information with respect to what these corporations are doing, which is not now fully available, and is very difficult to obtain.

Mr. BREWSTER. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. BREWSTER. I wish to ask to make an interpolation dealing with the situation raised by the Senator from Maryland (Mr. TYDINGS) and the Senator from Vermont (Mr. AIKEN) in connection with the discussion of this very matter. As the Senator from Virginia knows, I am in most cordial sympathy with his proposals, which provide for long-delayed auditing and accounting.

There was in the course of a public discussion on the radio a challenge regarding the so-called Dawes loan of $90,000,000 from the Reconstruction Finance Corporation, and the suggestion was made by one of the Members of this body that there was something irregular in connection therewith. In justice to Mr. Jesse Jones, who was the Administrator then, I secured from him a statement of facts, which I ask unanimous consent to have inserted in the RECORD at this point, indicating that that loan, which was made not only for the benefit of the bank, but for the benefit of 100,000 depositors, was completely paid back, and there was also a profit of some five or six million dollars.

There being no objection, the statement was ordered to be printed in the RECORD, as follows:

THE SECRETARY OF COMMERCE,
Washington, D. C., January 30, 1945.

Hon. OWEN BREWSTER,
United States Senate, Washington, D. C.

DEAR SENATOR: In reply to your request for information as to the status of the $90,000,000 loan to the Central Republic Bank & Trust Co. of Chicago, which was made June 1933, beg to advise that cash collections have been $88,800,000, with remaining collateral to the approximate value of $5,000,000, a total recovery of $103,800,000.

The expense incident to the preservation of the collateral and the administration of the loan has been approximately $3,500,000. This is equivalent to collection of the principal of the loan, plus expenses, and approximately $10,000,000 interest.

Sincerely,

JESSE H. JONES.

Mr. BYRD. Mr. President, I hope it will be the pleasure of the Senate to adopt this amendment providing a long-delayed audit of the transactions of these various Corporations. The amendment has been worked out in cooperation with the Comptroller General. I emphasize again that it does not give to the Comptroller General the power to reject or to disapprove of the loans made by the Corporations. I do not think that would be practicable. It requires an audit of the loans after they are made, of the expenses of the various Corporations, and of the losses which occur, as well as any profits.

Mr. President, the Senator from Montana (Mr. MURRAY) has suggested that the auditing begin as of July 1, 1941. I personally have no objection to that suggestion, though I do not know whether it would necessitate a large amount of work when probably the accountants are not now available.

Mr. GEORGE. Mr. President, I hope the Senate will not accept the amendment, because I can foresee the trouble the bill will run into in the House if the amendment is adopted. If anyone wants to examine the R. F. C. back to the date of its origin, that is all right; but let it be done as an examination, and not as an audit made at this late date. The adoption of such an amendment as this will certainly invite opposition. I had hoped for the adoption of the simple proposal of an audit beginning with the current year. I think that is quite proper. That would not result in the raising of any question as to jurisdiction by any committee which has jurisdiction with respect to the creation of these various organizations or which has reported measures creating them. It seems to me it would be simple to begin the audit with the current year.

Mr. BYRD. I will say to the Senator from Montana that the clerk of the committee has just informed me that the Accounting Office has stated they would not have the accountants necessary to make the audit going back beyond the current year.

Mr. MURRAY. Mr. President, I will say, if the Senator will permit me, that I am proposing a further amendment to the second paragraph of the amendment with reference to the reports of the audits, which would provide that the audit covering transactions prior to July 1, 1945, shall be made at the earliest practicable date, so that we would not place any burden on the General Accounting Office which it could not perform.

Mr. BYRD. Does the Senator mean the reports covering the present audit?

Mr. MURRAY. No; the audit that will go back to the year 1941-42.

Mr. BYRD. While I have no objection whatever to going back to 1941, I agree with the Senator from Georgia that that would place such vast work upon the General Accounting Office that they could not keep up the current audits. It applies to all the corporations. The Senator's proposal would require the General Accounting Office to make reports, of course, on the corporations which are already audited, and there are 30 of them, and as the Senator no doubt knows there is a great scarcity of expert accountants who are capable of making such audits.

Mr. MURRAY. It would be within the power of the General Accounting Office to determine when and how they would make the audit, but they would not be required to finish it, or to report the audit until they had the personnel with which to do so.

Mr. BYRD. The Senator's amendment reads:

The audit shall cover all financial transactions occurring after July 1, 1941.

That would be a mandate, in my judgment for the Comptroller General to start back in 1941.

Mr. MURRAY. Yes.

Mr. BYRD. He would have to start back 3½ years ago, which would prevent us from getting the current audits. I think it was a great mistake that Congress made no provision to require these audits sooner, but if we go back too far then the current audits will be delayed.

I should like to perfect my amendment along the line suggested by the Senator from Georgia, that the audit start at the first of the current fiscal year. The amendment offered by me provides that it start at the first of the next fiscal year. The suggestion of the Senator from Georgia, if agreed to, would make the audit start on July 1, 1944. I wonder whether that would satisfy the Senator from Montana.

Mr. MURRAY. No; it seems to me that it is important that an audit and an investigation of all the transactions should be made, and that the public should know what has transpired during the years I have indicated. It seems to me the bill would be imperfect if it did not cover that period.

Mr. BYRD. I think it ought to be done, but does not the Senator agree with me that if, at this particular time, we undertake to audit all the transactions 3 or 4 years back we will not keep up the current audits which we are very anxious to do?

Mr. AIKEN. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. AIKEN. I am in full sympathy with the objective of the Senator from Montana, but I am wondering if an audit beginning July 1, 1944, for the current year, would not give a pretty plain indication of what had been going on in the previous 3 years. Congress would know pretty well from the audit of the current year, it seems to me, whether it would be advisable to go back any further. Personally I would favor the amendment proposed by the Senator from Montana, but I would not want to jeopardize what the Senator from Virginia proposes to do by insisting upon that amendment.

Mr. TYDINGS. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. TYDINGS. Would it not serve the purpose of the Senator from Virginia and the Senator from Montana both if the audit were to be made permissive up to July 1, 1944, and to be made mandatory from July 1, 1944, on? Then, if the accountants were available, the Accounting Office could go back and make the audit over the previous years. If the accountants are not available, they could at least keep the audit current from now on. The Senator from Montana could

have his amendment so worded that the Accounting Office would do the work if they could find the personnel to do it. In that case the purpose of both Senators would be served and no harm would be done respecting the current audit.

Mr. MURRAY. I will say that I have no desire to place any impossible burden on the General Accounting Office, but it occurred to me that it was very important that an audit of this character should be made, even though it requires a considerable amount of work to go back over past transactions.

Mr. BYRD. Would the Senator from Montana be willing to accept the suggestion made by the Senator from Maryland that the audit be made permissive before July 1, 1944, and mandatory after July 1, 1944? That is a year sooner, I will say to the Senator, than I had proposed.

Mr. MURRAY. I will accept that.

Mr. BYRD. I should like to have the attention of the Senator from Georgia. Does the Senator from Georgia think the suggestion made by the Senator from Maryland is a good one, to make the audits permissive prior to July 1, 1944, and mandatory thereafter?

Mr. GEORGE. I think we are likely to have the whole thing thrown out in the House if that proposal is adopted, because it would look like an investigation. I think the House committees will insist on saying in each instance whether the audit should be made going back that length of time, and I think we will become involved in a squabble about it, and the result will be, I am afraid, that the proposal will be thrown out. I have no objection to the audit being made at any time over the whole period of the life of the corporation, but this does not seem to me to be a very appropriate time to provide for it. I had hoped that a simple audit, starting with the current year, would be provided for; that would not create any friction in the House, and I believe the House would accept such a provision.

Mr. MURRAY. If it is merely permissive it seems to me that it should not precipitate any trouble in the House. The General Accounting Office will determine whether or not it has the personnel to engage in the examination or audit of the accounts as far back as 1941, and if it does not have the personnel it is not required to make the audit.

Mr. BYRD. Mr. President, I propose to perfect the amendment offered by me. In the last sentence of subsection (a), after the words "begin with the", I propose to strike out "first" and insert "current"; and after the words "fiscal year", to strike out "commencing after the enactment of this act." I understand, Mr. President, that I have a right to perfect the amendment.

The PRESIDING OFFICER. The Senator has the right to modify his amendment.

Mr. BYRD. It would mean, then, that the audit would begin with the current fiscal year.

The PRESIDING OFFICER. The modification of the amendment will be stated.

The CHIEF CLERK. In the last sentence of subsection (a) in the Byrd amendment, after the words "begin with the", it is proposed to strike out "first" and insert "current"; and after the words "fiscal year" to strike out "commencing after the enactment of this act", so as to make the sentence read "The audit shall begin with the current fiscal year."

The PRESIDING OFFICER. The question is on agreeing to the modified amendment offered by the Senator from Virginia (Mr. BYRD) and the Senator from Nebraska (Mr. BUTLER) to the committee amendment.

Mr. TAFT. Mr. President, I think it is important that all Government lending corporations be audited, but I wish to point out that only a very small fraction of the job is done when we require an audit. An audit in no way limits the powers of the corporations. I doubt very much if the corporations have exceeded their legal powers. It is desirable to see that there shall be no dishonesty. It is desirable to see that the R. F. C., for instance, does not go beyond its powers; but its powers are so broad that that is hardly possible under the present circumstances. It seems to me that the mere passage of this bill ought not to excuse us from going ahead and attempting to delimit the Corporation.

Furthermore, it seems to me that the bill should contain the further provision that every Government corporation should be required, as Government departments are required, to submit at the beginning of the year a budget of what it expects to spend and for what it expects to spend the money. Possibly Government corporations cannot be held down to as close restrictions as apply to Government departments, but something ought to be done to see that the program is submitted to Congress and approved in advance.

Mr. BYRD. Mr. President, the Senator from Nebraska and I have prepared such legislation; to be introduced today, but we are not offering it as an amendment to this bill, because it is very complex in character. We want to have it thoroughly discussed and referred to the appropriate committees.

Mr. TAFT. I am delighted to hear the Senator's statement.

Mr. BYRD. The Senator will find the situation fully protected.

Mr. TAFT. There is one further question of policy. In my opinion, no Government corporation should be formed under any State law, and no such corporation which is formed hereafter should proceed without a charter approved by Congress, in which the powers of the corporation are fixed by Congress, and not by a charter filed in Delaware, New Jersey, or some other State, where charter powers are very liberally granted.

Mr. LANGER. Mr. President, will the Senator yield?

Mr. TAFT. I yield.

Mr. LANGER. Does not the distinguished Senator feel that this amendment is a step in the right direction?

Mr. TAFT. Yes; but it is only the least important of the steps in that direction. I think the other steps are more important than this. I am in favor of this provision.

Mr. LANGER. It should have been done a long time ago.

Mr. TAFT. It should have been done a long time ago.

Mr. SHIPSTEAD. Mr. President, I am not satisfied with this bill, but in view of the statement of the Senator from Virginia that the proposed changes are so complicated that it is difficult to legislate on the floor of the Senate, I gladly accept his explanation.

The formation of corporations in Delaware by the Federal Government to handle public business has evidently been done for the purpose of getting away from the authority of the Congress. I understand that fifteen or twenty corporations have been incorporated under the laws of Delaware. For years that State has been looked upon as furnishing a corporation privileges, rights, and power to do anything it might wish to do. It seems to me very reprehensible for the Federal Government to incorporate a business under such legislation as is permitted in Delaware and thus enable it to get away from the authority of the Congress.

I look with a great deal of anticipation to the future. I hope the Senator from Virginia will bring in some amendments, with the sanction of the appropriate committees, to see that these funds are better protected. I do not mean to cast any reflection upon the administration of Jesse Jones. It has been said here that he has admitted that he has nothing to do with the policy. Whenever a request is made for several billion dollars, he deems it his duty to furnish the money. That is a peculiar way to transact business. I doubt if it could be excused even during war. There should be some policy by which demands upon all these funds could be approved or disapproved. I hesitate to vote for this bill; but under the circumstances I shall do so, although I think possibly the most important thing is yet to be done.

Mr. BYRD. I agree with the Senator. The Senator understands that the pending amendment relates only to auditing, does he not?

Mr. SHIPSTEAD. I understand that.

Mr. BYRD. The legislation which he desires is being prepared and will be introduced within the next week. It is very difficult legislation.

Mr. SHIPSTEAD. I shall look forward to such legislation with a great deal of pleasure and hope.

Mr. McKELLAR. Mr. President, will the Senator yield?

Mr. BYRD. I yield.

Mr. McKELLAR. Does the Senator's amendment require all corporations of the Government to be audited?

Mr. BYRD. Yes; just as other agencies of the Government are audited.

Mr. McKELLAR. Is every agency included in the Senator's amendment?

Mr. BYRD. Yes.

Mr. McKELLAR. I shall vote for it with a great deal of pleasure.

The VICE PRESIDENT. The question is on agreeing to the modified

amendment offered by the Senator from Virginia (Mr. BYRD) and the Senator from Nebraska (Mr. BUTLER) to the committee amendment.

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

The VICE PRESIDENT. The bill is before the Senate and open to further amendment. If there be no further amendment to be proposed, the question is on the third reading of the bill.

The bill was read the third time.

The VICE PRESIDENT. The bill having been read the third time, the question is, Shall it pass?

Mr. RUSSELL. I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The Chief Clerk called the roll, and the following Senators answered to their names:

Aiken	Guffey	O'Daniel
Austin	Gurney	O'Mahoney
Bailey	Hatch	Overton
Bankhead	Hayden	Pepper
Barkley	Hickenlooper	Radcliffe
Bilbo	Hill	Reed
Brewster	Hoey	Revercomb
Bridges	Johnson, Calif.	Robertson
Briggs	Johnson, Colo.	Russell
Brooks	Johnston, S. C.	Saltonstall
Buck	Kilgore	Shipstead
Burton	La Follette	Smith
Bushfield	Langer	Stewart
Butler	Lucas	Taft
Byrd	McCarran	Taylor
Capehart	McClellan	Thomas, Idaho
Capper	McFarland	Thomas, Okla.
Chavez	McKellar	Thomas, Utah
Connally	McMahon	Tobey
Cordon	Magnuson	Tunnell
Donnell	Maybank	Tydings
Downey	Mead	Vandenberg
Eastland	Millikin	Wagner
Ellender	Mitchell	Walsh
Fulbright	Moore	Wherry
George	Morse	White
Gerry	Murdock	Wiley
Green	Murray	Willis
	Myers	

The VICE PRESIDENT. Eighty-six Senators having answered to their names, a quorum is present.

The bill having been read the third time, the question is, Shall it pass?

Mr. GEORGE. Mr. President, on this question I ask for the yeas and nays.

The VICE PRESIDENT. The yeas and nays have been requested——

Mr. BYRD. Mr. President, will the Senator from Georgia yield for a moment? I failed to offer a perfecting amendment providing for expenses. I ask unanimous consent that it may be offered and read at this time.

Mr. GEORGE. That is agreeable, Mr. President.

The VICE PRESIDENT. Without objection, the amendment will be received, and will be read by the clerk.

The CHIEF CLERK. At the end of the bill it is proposed to insert the following new section:

(c) The expenses of auditing the financial transactions of all Government corporations as provided in section — of this Act shall be paid out of appropriations to the General Accounting Office, and appropriations in such sums as may be necessary are hereby authorized for the purpose.

Mr. BARKLEY. Mr. President, let me ask either the Senator from Virginia or the Senator from Georgia whether the amendment, as perfected, would require the General Accounting Office to audit in advance of a loan?

Mr. BYRD. The Senator from Kentucky was absent at the time when that point was explained. The amendment does not provide any authority to require a pre-audit in advance of a loan.

Mr. BARKLEY. I wished to make sure of that point.

Mr. BYRD. Yes; Mr. President; as I have said, the amendment does not give authority to the Comptroller General to disallow a loan in advance.

Mr. RUSSELL. Mr. President, I should like to ask a question of the Senator from Virginia. I was unable to be on the floor at the time when his amendment was under discussion. There are several agencies of Government which lend money which now are paying for their own audits. They are required to pay the General Accounting Office an amount of money sufficient to defray the cost of making the audit. I hope the amendment offered by the Senator from Virginia would not have the effect of repealing those provisions of law.

Mr. BYRD. The amendment provides that the Comptroller General may utilize existing organizations.

Mr. RUSSELL. I understand that. The General Accounting Office, however, audits the Farm Credit Administration, but no appropriation is made for the General Accounting Office in that connection, the theory being that the Farm Credit Administration is a business administration or organization and should be audited anyway, and it is required to pay for its own audit.

It occurs to me that some of these other organizations should be required to pay for their own audits. If they are set up as business organizations they should pay the expenses of their audits. I know of no reason why special appropriations should be made to pay for the expense of making the audit by the General Accounting Office.

Mr. BYRD. Let me say that not all the audits are paid for by the corporations concerned. Some of them now are paid for by the General Accounting Office.

I have no objection to having the Senator modify the amendment so as to have it provide that those already paying for their own audits shall continue to do so.

Mr. RUSSELL. It occurs to me that we should have one policy regarding the matter.

Mr. BYRD. I think so, too. We have not heretofore required an audit of all of the 56 corporations, and we must make some provision to finance the cost of these new audits. If the Senator thinks the corporation should pay for its own audit, I have no objection to having that done, so long as the audit is made.

Mr. RUSSELL. Please understand that I am heartily in favor of the Senator's amendment. I was one of a handful of Senators who voted in favor of providing for an audit when the matter was previously before the Senate; but it seems to me that if these institutions are supposed to be operating along business lines, the corporation or concern itself should pay for the audit, rather than to have it necessary for the Congress to make a special appropriation of funds from the Treasury for that purpose.

Mr. BYRD. Let me say that it seems to me that some of the 56 corporations are not operated along business lines.

Mr. RUSSELL. Perhaps I should say that in theory they are operated along business lines.

Mr. BYRD. I would not like to see the amendment rejected because of that point. The amendment was suggested on the part of the General Accounting Office.

Mr. RUSSELL. I should not object in respect to the 56 corporations. But if the amendment had the effect of repealing other laws which now provide that Government corporations shall pay for their own audits, that would be a different question.

It seems to me there should be one fixed policy in respect to all these corporations, regardless of whether they are in the Reconstruction Finance Corporation or in the Farm Credit Administration.

Mr. BARKLEY. Mr. President, if the Senator will yield to me, let me say that it is my understanding, and I think it is a fact, that the Reconstruction Finance Corporation and all its subsidiaries and affiliates already are subject to an audit of their own, and already have the funds with which to conduct such audit.

The amendment would merely provide for an authorization so that the Committee on Appropriations could work out that matter, as I imagine, in determining whether additional funds should be appropriated for that purpose, or whether sufficient funds are now available.

Mr. RUSSELL. I realize that, but as I understand the amendment—let me say that I was not able to hear it very well when it was read—it provides that the expenses shall be defrayed by appropriations to the General Accounting Office and such necessary appropriations are authorized.

If the R. F. C. is now paying for its own audit, I think it should continue to do so, even though an appropriation for that purpose is authorized to be made to the General Accounting Office.

Mr. BARKLEY. I am in general agreement with the Senator's understanding, but I do not know that on the floor of the Senate we can work out the details of an arrangement to make such funds available to the R. F. C. and its affiliates in making their own audits. Certainly there should not be any duplication of appropriations.

Mr. RUSSELL. That is true. But certainly we are dealing with a considerable sum of money in this connection, because when we changed the law so as to provide that the Farm Credit Administration should pay for its own audit, that had the effect of reducing the appropriations for that agency by some two and one-half million dollars annually, which was the cost of making the audit of the Farm Credit Administration alone.

Other Government corporations operate on a much vaster scale than does the Farm Credit Administration, and the cost of making audits of them undoubtedly will run into millions of dollars a year. If they are now paying the expenses of having audits made by private auditors, it certainly occurs to me that the General Treasury, which does not receive a great deal of consideration in these times, should not be charged with the expense of having the audits made, and the obligation should not be transferred from the corporation upon which it now rests over to the General Treasury, with the resultant necessity of making an appropriation for that purpose.

Mr. VANDENBERG. Mr. President, will the Senator yield to me?

Mr. RUSSELL. I yield.

Mr. VANDENBERG. I suggest to both Senators that the language will cover the purpose of the able junior Senator from Georgia [Mr. RUSSELL] if it is changed to read as follows:

"The expenses of auditing the financial transactions of all Government corporations as provided by section — of this act, shall be paid out of appropriations to the General Accounting Office, unless previously otherwise provided, and appropriations of such sums as may be necessary are hereby authorized for that purpose."

Mr. RUSSELL. That would take care of those that are now paying for their own audits, but it still would not provide any over-all policy which would apply equally to all the corporations which have been organized by the Congress.

Mr. BYRD. The language is merely an authorization. Could not the policy be worked out in an appropriation bill?

Mr. RUSSELL. I think it could if the amendment did not make it mandatory for the General Accounting Office to have appropriations for this purpose.

Mr. BYRD. An amendment was heretofore agreed to making it mandatory to have audits made. It would seem that we could finance them in some way.

Mr. RUSSELL. I am entirely in accord with the attitude which the Senator has taken. I was one of a corporal's guard which supported him with regard to a similar amendment 2 or 3 years ago.

Mr. BYRD. Perhaps it would be satisfactory to change the word "shall" to "may."

Mr. RUSSELL. That would be satisfactory if a provision could be framed which would give some authority to pay the costs.

Mr. McKELLAR. By changing the word "shall" to "may" the Appropriations Committee would have charge of the matter and they would see to it that no duplication took place.

Mr. RUSSELL. Mr. President, I move to amend the amendment of the Senator from Virginia in paragraph (c), after the word "act", by striking out the word "shall" and inserting the word "may"; and by changing the period at the end of the amendment to a colon and adding the words: "*Provided*, That by agreement between the General Accounting Office and said corporation the expenses of said audit may be paid from funds of such corporation."

Mr. BYRD. I accept the amendment of the Senator from Georgia as a modification of my amendment.

Mr. LANGER. Would the modification suggested by the Senator from Georgia mean that the agency must agree to an audit?

Mr. RUSSELL. Yes; it would mean that.

Mr. BYRD. The amendment heretofore agreed to would make it mandatory.

Mr. RUSSELL. I think it could be worked out in the Appropriations Committee.

Mr. BYRD. Is there any question in the Senator's mind that the money would be made available?

Mr. RUSSELL. Not at all. In other words, there is no question that the audit would still have to be made.

The VICE PRESIDENT. The question is on agreeing to the modified amendment the Senator from Virginia has offered as paragraph (c), unanimous consent having been granted that the amendment might be offered at this stage in the consideration of the bill.

The amendment, as modified, was agreed to.

The VICE PRESIDENT. The bill having been read the third time, the question is, Shall it pass?

Mr. GEORGE. I ask for the yeas and nays.

The yeas and nays were ordered, and the legislative clerk proceeded to call the roll.

Mr. REED (when his name was called). I have a general pair with the senior Senator from New York [Mr. WAGNER]. I understand that, if he were present and voting, he would vote as I am about to vote. I am therefore at liberty to vote. I vote "yea."

Mr. McCARRAN (when Mr. SCRUGHAM's name was called). My colleague the junior Senator from Nevada [Mr. SCRUGHAM] is absent because of illness. If present he would vote "yea."

The roll call was concluded.

Mr. HILL. I announce that the Senator from Virginia [Mr. GLASS] is absent from the Senate because of illness.

The Senator from Kentucky [Mr. CHANDLER] is absent because of illness in his family.

The Senator from New Mexico [Mr. HATCH] is detained on official business.

The Senator from Florida [Mr. ANDREWS], the Senator from North Dakota [Mr. MOSES], the Senator from Nevada [Mr. SCRUGHAM], the Senator from New York [Mr. WAGNER], and the Senator from Montana [Mr. WHEELER] are necessarily absent.

I am advised that if present and voting, the Senator from Florida [Mr. ANDREWS], the Senator from Kentucky [Mr. CHANDLER], the Senator from Virginia [Mr. GLASS], the Senator from New Mexico [Mr. HATCH], the Senator from North Dakota [Mr. MOSES], and the Senator from Nevada [Mr. SCRUGHAM] would vote "yea."

Mr. WHERRY. The Senator from Minnesota [Mr. BALL] is absent because of illness. If present, he would vote "nay."

The result was announced—yeas 74, nays 12, as follows:

YEAS—74

Aiken	George	O'Mahoney
Austin	Gerry	Overton
Bailey	Green	Radcliffe
Bankhead	Gurney	Reed
Barkley	Hawkes	Reynolds
Bilbo	Hayden	Robertson
Brewster	Hickenlooper	Russell
Bridges	Hill	Saltonstall
Briggs	Johnson, Calif.	Shipstead
Brooks	Johnson, Colo.	Smith
Buck	Johnston, S. C.	Stewart
Burton	Kilgore	Taft
Butler	La Follette	Thomas, Idaho
Byrd	Lucas	Thomas, Okla.
Byrnes	McCarran	Thomas, Utah
Capehart	McClellan	Tobey
Capper	McFarland	Tydings
Connally	McKellar	Vandenberg
Cordon	Maybank	Walsh
Donnell	Millikin	Wherry
Downey	Moore	White
Eastland	Morse	Wiley
Ellender	Murray	Wilson
Ferguson	Myers	Wilson
Fulbright	O'Daniel	

NAYS—12

Chavez	McMahon	Murdock
Guffey	Magnuson	Pepper
Hill	Mead	Taylor
Langer	Mitchell	Tunnell

NOT VOTING—9

Andrews	Glass	Scrugham
Ball	Hatch	Wagner
Chandler	Moses	Wheeler

So the bill S. 275 was passed.

ORDER OF BUSINESS

Mr. WALSH. Mr. President, may I inquire of the Senator from Kentucky when he intends to have a call of the calendar. There are two naval bills which will take a very brief time and which the Navy Department is anxious to have considered.

Mr. BARKLEY. It may be possible to call the calendar this afternoon provided the procedure which I am about to suggest does not take too much time; but I think we ought to clean up the situation before we proceed to the consideration of other business.

Mr. WALSH. Very well.

EXECUTIVE SESSION

Mr. BARKLEY. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to; and the Senate proceeded to the consideration of executive business.

EXECUTIVE REPORTS OF COMMITTEES

The following favorable reports of nominations were submitted:

By Mr. THOMAS of Utah, from the Committee on Military Affairs:

Capt. Victor Bradley Yarx, Jr., Army of the United States, to be first lieutenant, Medical Corps, in the Regular Army, with rank from August 26, 1944;

Sundry officers for promotion in the Regular Army, under the provisions of law;

Sundry officers for appointment, by transfer, in the Regular Army;

Sundry officers for temporary appointment in the Army of the United States, under the provisions of law;

Angus J. Gallagher, of Ohio, for appointment as administrative officer in the Selective Service System, under the provisions of section 10 (a) (3) of the Selective Training and Service Act of 1940, as amended; and

Elgin T. Shaver, of Ohio, for appointment as assistant chief, Research and Statistics

Division, Selective Service System, under the provisions of section 10 (a) (3) of the Selective Training and Service Act of 1940, as amended;

Brig. Gen. Raymond H. Fleming, of Louisiana, for appointment as State director of selective service for Louisiana under the provisions of section 10 (a) (3) of the Selective Training and Service Act of 1940, as amended.

NOMINATION OF FRANK C. WALKER

Mr. McKELLAR. Mr. President, for the Executive Calendar, I send to the desk a favorable report from the Committee on Post Offices and Post Roads on the nomination of Gen. Frank C. Walker, of Pennsylvania, to be Postmaster General.

The VICE PRESIDENT. The report will be received and placed on the Executive Calendar.

COL. ELLIOTT ROOSEVELT

Mr. HILL. Mr. President, I ask unanimous consent to have printed in the body of the RECORD a summary of the military record of Col. Elliott Roosevelt, as compiled by the War Department. I do so in view of the fact that the Senate Committee on Military Affairs has reported the nomination of Colonel Roosevelt to be a brigadier general, and the nomination of Colonel Roosevelt to be a brigadier general will come up on the call of the Executive Calendar the next time the Senate has an executive session after today.

There being no objection, the summary was ordered to be printed in the RECORD, as follows:

COL. ELLIOTT ROOSEVELT

I. APPOINTMENT AND PROMOTIONS

A. Appointed captain, Specialist Reserve, September 23, 1940.

B. Transferred in grade to Air Reserve, February 21, 1941.

C. Promoted to major, Army of the United States, on March 26, 1942, to rank from March 1, 1942.

D. Promoted to lieutenant colonel, Army of the United States (Air Corps), August 6, 1942.

E. Promoted to colonel, Army of the United States (Air Corps), March 22, 1943, effective on February 23, 1943.

F. Promoted to colonel, Army of the United States, March 11, 1943.

II. SERVICE

Colonel Roosevelt was called to extended active duty on October 7, 1940, in the grade of captain, and reported to the Materiel Command, Wright Field, Dayton, Ohio. On April 24, 1941, he was transferred from Wright Field to the Twenty-first Reconnaissance Squadron at the Newfoundland Air Base, and began a survey for the establishment of ferry routes across the North Atlantic. This duty took him to Greenland, Iceland, and England. On September 15, 1941, he was ordered to Kelly Field, Tex., to take a course in navigation, and from there to Brooks Field, Tex., as a student in an aerial observer's course. Upon completion of this latter course on December 13, 1941, he was ordered from Brooks Field to duty with the Sixth Reconnaissance Squadron, Muroc, Calif. On February 26, 1942, he was assigned to the First Photographic Group and proceeded overseas for duty in North Africa. Since that time Colonel Roosevelt has been on continuous duty overseas in North Africa, Sicily, Italy, the United Kingdom, and France, commanding photographic reconnaissance units. At the present time he is commanding the Three Hundred and Twenty-fifth Photographic Reconnaissance Wing, European Theater of Operations, with an approximate strength of 6,000 officers and men.

III. DECORATIONS AND COMMENDATIONS

A. The Distinguished Flying Cross awarded December 23, 1942, while a member of the Third Photographic Group, Twelfth Air Force by command of General Doolittle (citation attached).

B. "Commander of Oulaam Alaouite" awarded January 23, 1943, by the Sultan of Morocco.

C. Air Medal awarded May 8, 1943 by General Spaatz (citation attached).

D. Letter of commendation dated October 13, 1943, from the commanding general, Army Air Forces to Colonel Roosevelt commending him for his work in reorganizing the reconnaissance program of the Army Air Forces (copy of letter attached).

E. Legion of Merit awarded December 23, 1943, by General Eisenhower (citation attached).

F. Letter of Commendation dated September 28, 1944, signed by Lieutenant General Bradley, commanding general, Twelfth Army Group to the Three Hundred and Twenty-fifth Photographic Wing (recommendation) commanded by Colonel Roosevelt commending this unity (copy of letter attached).

(NOTE.—Colonel Roosevelt, to date, has a total of 1,100 flying hours. Of these 1,100 hours, 800 have been on combat missions. Colonel Roosevelt has recently piloted single controlled planes on 300 combat missions. A single controlled plane has but one pilot. And on each of these flights he has been the pilot.)

HEADQUARTERS, TWELFTH AIR FORCE,
A. P. O. 650, December 23, 1942.

GENERAL ORDER NO. 16—AWARD OF DISTINGUISHED FLYING CROSS

Under the provisions of AR 600-45, as amended, and pursuant to authority contained in circular No. 6, Allied Force Headquarters, October 19, 1942, the Distinguished Flying Cross is awarded to the following-named officer in the name of the commanding general, European theater of operations:

Elliott Roosevelt, O0394775, lieutenant colonel, third photographic group, Twelfth Air Force, United States Army. For heroism and extraordinary achievement while participating in aerial flights. As a member of parties making aerial surveys of important ferry routes, Lieutenant Colonel Roosevelt participated in long and dangerous flights over Arctic, sub-Arctic, and equatorial regions, many of them being over water and uninhabited areas. On one expedition Lieutenant Colonel Roosevelt was the only member who made every operational flight. As a result of his experience and energy, he has been of great assistance in the establishment of ferry routes. As commanding officer of a photographic group assigned to the American forces in north Africa, Lieutenant Colonel Roosevelt personally participated in many flights deep into hostile and heavily defended areas acting as observer, navigator, photographer, and radio operator. He made these flights voluntarily with complete disregard for his personal safety, as he well knew the extremely vulnerable characteristics of his unarmed airplane. The efficiency of his photographic group as proven by the valuable information it has obtained, is due in a large degree to the ability, leadership, and inspiration of Lieutenant Colonel Roosevelt. His courage and skill reflects credit both upon himself and the military service.

By command of Major General Doolittle:

HOYT S. VANDENBERG,
Brigadier General, United States Army, Chief of Staff.

Official:

P. M. WHITNEY,
Colonel, Adjutant General's Department, Adjutant General.

HEADQUARTERS, NORTHWEST AFRICAN AIR FORCES,
A. P. O. 650, May 8, 1943.

GENERAL ORDER, NO. 76—AWARD OF AIR MEDAL

1. Under the provisions of AR 600-45, as amended, and pursuant to authority contained in Circular No. 50, Headquarters NATOUSA, April 5, 1943, the Air Medal is awarded to the following-named personnel, Air Corps, United States Army, residence as indicated, in the name of the commanding general, north African theater of operations, for meritorious achievement while participating in five sorties against the enemy.

* * * * * *

Elliott Roosevelt, O0394775, colonel, Benbrook, Tex.

* * * * * *

By command of Lieutenant General Spaatz:

R. P. CURTIS,
Colonel, U. S. A. A. F., Chief of Staff.

Official:

WILLIAM W. DICK,
Colonel, A. G. D. G., Air Adjutant General.

WAR DEPARTMENT,
HEADQUARTERS, ARMY AIR FORCES,
Washington, October 12, 1943.

Subject: Commendation.
Through: Commanding general, Northwest African Allied Air Forces.
To: Colonel Elliott Roosevelt, commanding officer, Northwest African Photo Reconnaissance Wing (Prov.).

1. The careful and thorough work you have performed in the reorganization of the reconnaissance program of the Army Air Forces is most pleasing to me and I desire to command you for your contribution to this important project.

2. Your practical experience has been of inestimable assistance in establishing plans and procedures for the use of Reconnaissance Units in the field and in setting up new tables of organization based on the actual needs of present-day warfare. Your advice and counsel have also been most helpful in revising our training program in this country, forming the present Reconnaissance Command of the Third Air Force and setting up the necessary staff branch in this headquarters.

3. The thorough knowledge you have of these matters and your wholehearted cooperation at all times reflect great credit upon yourself.

4. A copy of this letter will be made a part of your efficiency record.

H. H. ARNOLD,
General, United States Army, Commanding General, Army Air Forces.

HEADQUARTERS, NORTH AFRICAN THEATER OF OPERATIONS, UNITED STATES ARMY,
A. P. O. 534, December 22, 1943.

GENERAL ORDER, NO. 144—AWARD OF LEGION OF MERIT

Under authority contained in section IV, War Department Circular No. 131, dated June 8, 1943, a Legion of Merit Medal is awarded in the name of the President to each of the following-named individuals:

* * * * * *

Elliott Roosevelt, O0394775, Colonel, Air Corps, for exceptionally meritorious conduct in the performance of outstanding services from November 1, 1942, to October 30, 1943. By his dynamic energy and inspiring zeal, he built the small photographic and reconnaissance group which he commanded, into a photo reconnaissance wing which controlled the preparation of photographic intelligence for all planning staffs and operations in the theater. His keen insight into the invaluable aid of aerial photography, and the knowledge

of its practical application, enabled him to make an outstanding contribution to the success of the Tunisian and Sicilian Campaigns, and of the initial operations in Italy. Entered service from Bedford, Tex.

By command of General Eisenhower:

E. L. POSS,
Brigadier General, G. S. C.,
Chief of Staff.

Official:

H. V. BIDWELL,
Colonel, A. G. D.,
Adjutant General.

HEADQUARTERS, TWELFTH ARMY GROUP,
A. P. O. 655, September 18, 1944.

Subject: Letter of Commendation.

To: Commanding Officer, Three Hundred and Twenty-fifth Photo Wing Reconnaissance, A. P. O. 655, United States Army.

Through: Commanding General, Eighth Air Force.

1. It is desired to express the appreciation of Twelfth Army Group for the outstanding work which has been accomplished by the officers and men of your command.

2. The A-2 and A-5 Progress Sections have at all times been ready and able to execute exacting requests from the Army Group for aerial photos, mosaics and the reproduction of prints. The officers and men of these sections have appreciated the fact that in practically all instances, due to the rapidly moving situation, the time element has been a vital factor, and have exerted themselves to the utmost to meet the commitments in time to have their work be of value.

3. By their untiring efforts the laboratory section of the Wing has produced vast quantities of prints which have proved of great value to the Army Group. It is especially desired to bring to the attention of each officer and man the importance of the work which has been accomplished by them.

4. The Seventh Photo Group has accomplished a considerable loss in planes and personnel, the flying of many hazardous missions in a manner which reflects great credit upon their own unit and Photo Reconnaissance Aviation as a whole.

O. N. BRADLEY,
Lieutenant General, United States Army, Commanding.

The VICE PRESIDENT. If there be no further reports of committees the clerk will state the nominations on the calendar.

HENRY A. WALLACE

The legislative clerk read the nomination of Henry A. Wallace, of Iowa, to be Secretary of Commerce, which nomination had been adversely reported.

Mr. BARKLEY. I move that the further consideration of the nomination of Mr. Wallace to be Secretary of Commerce be postponed until the 1st day of March next.

The VICE PRESIDENT. The question is on the motion of the Senator from Kentucky.

Mr. TAFT. Mr. President——

Mr. BARKLEY. I desire to speak to my motion.

The VICE PRESIDENT. The Senator from Kentucky has the floor.

Mr. TAFT. The Presiding Officer was about to put the question. I did not understand that the Senator from Kentucky desired to speak.

Mr. BARKLEY. I desire to speak to the motion very briefly, I will say to the Senator.

Mr. President, in view of the action taken by the Senate on the George bill, which has been overwhelmingly passed, it seems to me that the further consideration of the nomination of Mr. Wallace to be Secretary of Commerce should be postponed for a sufficient length of time to enable the House of Representatives to act upon the George bill and to enable the President to act upon it.

There are Senators, I think, on both sides of the Chamber who will vote for the confirmation of the nomination of Mr. Wallace to be Secretary of Commerce alone, after the separation of the lending agencies from that Department, but who will not vote for the confirmation of his nomination with the lending agencies still retained in the Department of Commerce. In order that those Senators who wish to vote in that way may have an opportunity to do so, I think it desirable, and it is fair to those Senators, fair to the Senate and fair to the President and to Mr. Wallace and also to the country, that they should be given an opportunity to cast that sort of vote if the contingency arises that they can do so without the question being tangled up with the lending agencies.

I have, I may say, the assurance of authorities of the House of Representatives that if the George bill passes the Senate it would be promptly taken up and disposed of in the House of Representatives.

As we all know, the President is on the verge of a very important conference that may hold the fate of our Nation and the world in its hands, and I am sure that neither it is desirable to do anything that would be misinterpreted by the Nations who will be engaged in that conference or be misinterpreted by other nations of the world as to the attitude of our own Congress in regard to the President's full authority and his backing by us in dealing with other nations in this important conference.

I have every reason to believe that the House of Representatives will act upon the George bill promptly and favorably.

I took it upon myself a few days ago through the White House to inquire what would be the President's attitude toward the George bill in the event it passed both Houses. I have just received through the White House a message which I desire to read to the Senate. It seems to me that in this message the President has acted wisely and in a fashion that shows his desire to cooperate with the Congress in the situation which now confronts it. I will read it. This is a message, just received by me from the White House, which was sent, of course, to be transmitted to me in response to my previous inquiry in order that I might inform the Senate and the country and especially the Congress. It is in quotations, and is as follows:

> In 1943, when I transferred certain functions of the Federal Loan Agency to the Department of Commerce by Executive order, I provided that they should be returned to that Agency 6 months after the conclusion of the war or sooner if the President or Congress should decide upon an earlier date. Therefore, should the Congress return these functions to the Federal Loan Agency at this time by the George resolution, I would approve the measure.

It seems to me that that is a categorical and definite answer to the inquiry, so that the Congress will have no doubt and the country will have no doubt about what the President will do in the event of the final passage of the George bill. I think, in fairness to the President and to the Congress and to Senators who are willing and who desire to vote for the confirmation of the nomination of Mr. Wallace purely for Secretary of Commerce that the motion I have made to postpone further consideration of his nomination until March 1 gives ample time for the other branch of Congress to act on the George bill and for the President to act in accordance with what he says he will do when the measure reaches him.

That is all I have to say about it. I hope that the Senate may vote upon the motion I have made without undue delay.

Mr. TAFT. Mr. President, I wish to acquiesce in the desire of the majority leader to postpone consideration, because I think a vote under present circumstances would be a confusing vote to take, one very difficult, perhaps, for some Senators to decide on.

I merely wish to give notice that I am just as much opposed to the confirmation of Mr. Wallace after the powers are taken away from him as before they are taken away from him; I think it makes no difference whatever. I am quite willing that the battle on Mr. Wallace should be postponed until the first of March, when the Senate will have full time to consider the remarkable republication by the great majority of the Senate of Mr. Wallace's qualifications to hold any important office in the Government.

Mr. WHITE. Mr. President, I happen to be one of those who have looked with disfavor upon the nomination of Mr. Wallace, not because of lack of appreciation of his delightful personal qualities, but because of his philosophy of government, as it has been disclosed in his speeches and his writings—a philosophy with which I am at complete odds. I think the suggestion made by the majority leader is a wise one, and I hope it will be acquiesced in at this time.

Mr. BAILEY. Mr. President, I should like to ask the majority leader what his attitude would be if on March 1 the George bill had not become a law. My object is to be assured that before we vote on the nomination which is to now intended shall be postponed, we shall be assured that the bill which has just been passed will have become an act, signed by the President. Of course, I accept the President's assurance. Would the Senator agree to support the motion on March 1 in the event the bill had not become a law at that time?

Mr. BARKLEY. I not only will support it; I will make it.

Mr. BAILEY. Very well.

The VICE PRESIDENT. The question is on agreeing to the motion of the Senator from Kentucky [Mr. BARKLEY], to postpone the consideration of the nomination of Henry A. Wallace until March 1.

The motion was agreed to.

The VICE PRESIDENT. The clerk will state the other nominations on the Executive Calendar.

COAST AND GEODETIC SURVEY

The legislative clerk read the nomination of Raymond M. Stone to be junior hydrographic and geodetic engineer with rank of lieutenant.

The nomination was confirmed.

UNITED STATES COAST GUARD

The legislative clerk proceeded to read sundry nominations in the Coast Guard.

The VICE PRESIDENT. Without objection, the nominations are confirmed en bloc.

THE NAVY

The legislative clerk proceeded to read sundry nominations in the Navy.

The VICE PRESIDENT. Without objection, the nominations are confirmed en bloc.

That completes the calendar.

Mr. BARKLEY. Mr. President, I ask unanimous consent that the President be immediately notified of all confirmations of today.

The VICE PRESIDENT. Without objection, the President will be notified forthwith.

CONSIDERATION OF LEGISLATIVE CALENDAR

Mr. BARKLEY. Mr. President, I move that the Senate resume consideration of legislative business.

The motion was agreed to.

Mr. BARKLEY. I ask unanimous consent that the Senate proceed to the call of the calendar, for the consideration of measures to which there is no objection.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the clerk will state the first order of business on the calendar.

ANTONIO RUIZ

The bill (S. 72) for the relief of Antonio Ruiz, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

> *Be it enacted, etc.*, That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Antonio Ruiz, of Phoenix, Ariz., the sum of $5,000, in full satisfaction of his claim against the United States for compensation for the death of his two minor children, the late Samuel Ruiz and the late Rosalie Ruiz, who died as a result of personal injuries sustained by them when a United States Army vehicle crashed into their home in Phoenix, Ariz., on April 23, 1944: *Provided*, That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding $1,000.

JOHN T. COOPER

The bill (S. 76) for the relief of John T. Cooper, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

> *Be it enacted, etc.*, That the Comptroller General is authorized and directed to credit the account of John T. Cooper, postmaster at Hartselle, Ala., in the sum of $175. Such sum represents a shortage in such account caused by the loss of such sum from the money-order cash drawer at such post office during the night of October 24, 1940.

PERKINS GINS

The bill (S. 187) for the relief of Perkins Gins, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

> *Be it enacted, etc.*, That the statutes of limitation, so far as they bar the cotton linter claim of Perkins Gins, a corporation of Memphis, Tenn., formerly the claim of Perkins Oil Co., also a corporation of Memphis, Tenn., arising out of purchase contract numbered 3418, entered into by the said Perkins Oil Co., of Memphis, Tenn., predecessor of said Perkins Gins, of Memphis, Tenn., on September 16, 1918, with the United States of America, be, and the same are hereby, waived and revoked.
>
> Sec. 2. That the said claimant is hereby authorized to file within 1 year after the date of the enactment of this act its said claim and have the same adjudicated by the Court of Claims of the United States.

GALEN E. WALTER

The bill (S. 243) for the relief of Galen E. Walter, was considered, ordered to be engrossed for a third reading, read the third time, and passed as follows:

> *Be it enacted, etc.*, That sections 15 to 30, inclusive, of the act entitled "An act to provide compensation for employees of the United States suffering injuries while in the performance of their duties, and for other purposes", approved September 7, 1916, as amended, are hereby waived in favor of Galen E. Walter, Pony, Mont., who allegedly sustained an injury on May 9, 1942, while employed as a forest guard at the Gallatin National Forest, and his claim for compensation is authorized to be considered and acted upon under the remaining provisions of such act; as amended, if he files such claim within 6 months from date of the approval of this act: *Provided*, That no benefit shall accrue prior to the approval of this act.

LINDON A. LONG

The Senate proceeded to consider the bill (S. 77) for the relief of Lindon A. Long, which had been reported from the Committee on Claims, with an amendment, on page 1, line 6, after the words "sum of", to strike out "$10,000" and insert "$3,000", so as to make the bill read:

> *Be it enacted, etc.*, That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Lindon A. Long, of Dothan, Ala., the sum of $3,000, in full satisfaction of his claim against the United States for compensation for the death of his minor son, Emile Long, who died as the result of injuries sustained by him when he was struck by a United States Army truck in Dothan, Ala., on June 9, 1941: *Provided*, That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding $1,000.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

OSCAR GRIGGS

The Senate proceeded to consider the bill (S. 177) for the relief of Oscar Griggs, which had been reported from the Committee on Claims, with amendments, on page 1, line 6, after the words "sum of", to strike out "$15,000" and insert "$4,808.14"; and on line 8, after the words "by him", to insert "and for medical and hospital expenses incurred", so as to make the bill read:

> *Be it enacted, etc.*, That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Oscar Griggs, of Lauderdale County, Tenn., the sum of $4,808.14, in full satisfaction of his claim against the United States for compensation for personal injuries sustained by him and for medical and hospital expenses incurred when he was shot on the night of December 29, 1942, by members of a party of soldiers of the United States Army, when, in the performance of his duties as sheriff of Lauderdale County, Tenn., he was attempting to quiet a disturbance by such soldiers in the town of Ripley, Tenn.: *Provided*, That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding $1,000.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

BENEFITS TO DISCHARGED MILITARY OR NAVAL PERSONNEL OF ALLIED OR ASSOCIATED NATIONS

The Senate proceeded to consider the bill (S. 294) to authorize the Administrator of Veterans' Affairs to permit certain benefits to discharged members of the military or naval forces of any nation allied or associated with the United States.

Mr. O'MAHONEY. Mr. President, I should like to have an explanation of the bill.

Mr. GEORGE. Mr. President, the best explanation of the bill I can offer is to refer briefly to the report of General Hines, the Administrator of Veterans' Affairs, who recommended the bill. He says:

> The proposed legislation would authorize the Administrator of Veterans' Affairs, upon request of the proper official of the government of any nation allied or associated with the United States in the present war, to furnish, in his discretion, to discharged members of the military or naval forces of any such government at such rates and under such regulations as the Administrator may prescribe, medical, surgical, and dental treatment; hospital care; transportation and traveling expenses; prosthetic appliances; education, training, or other similar benefits; and to make medical examinations, social investigations, and other reports pertaining to such persons. Under the bill any agreement entered into pursuant to this authority shall provide that such services shall be paid for by the Government of the Nation requesting the same and that any amount received by the Veterans Administration as reimbursement for such services shall be

entitled to the appropriate appropriation of the Veterans Administration for the fiscal year during which expenditures were made pursuant to this act.

General Hines also points out that under section 202 (14), World War Veterans' Act, 1924, as amended, the Veterans Administration is authorized to furnish transportation, medical, surgical, and hospital services and supplies and appliances to such troops, but the proposed legislation is intended to establish a reciprocal agreement under which the Veterans Administration may in its discretion make these payments to the veterans of nations now allied with us, but at the request and at the expense of the foreign governments.

Mr. O'MAHONEY. Mr. President, does the Senator feel that sufficient safeguards are contained in the bill through the provision for repayment? I ask the question because I observe in lines 6 and 8, on page 1, a broad degree of discretion is extended to the Veterans Administration. The power which is granted is to be exercised by the Administrator "in his discretion," to quote the words of the bill, and he is then empowered, in line 8, to make such rates and to prescribe such regulations as he may deem necessary.

I call attention to that, Mr. President, because it is an example of a type of legislation which has been followed in the past by Congress to a rather extraordinary degree. It is my feeling that the time has come—certainly if it has not come, it is rapidly approaching—when Congress should hesitate to extend discretionary powers to any executive agency without greater scrutiny than has been practiced in the past.

Mr. GEORGE. I thoroughly agree with the Senator. The whole purpose of the proposal is that the Administrator may in his discretion do certain things; but on page 2 of the bill it is provided that—

> Any agreement entered into pursuant to the authority of this act shall provide that such services shall be paid for by the government of the nation requesting the same.

So that it completely relieves our Government of any obligation. It is discretionary with the Veterans Administration whether the Administrator shall undertake to make these payments to the discharged veterans of any Allied nation.

Mr. O'MAHONEY. But in no event would the payment be made at the expense of the Government of the United States?

Mr. GEORGE. That is true; and it would not be made unless General Hines first had with the foreign government an agreement which was satisfactory to him. I think it can be said of General Hines that he is a most excellent administrative officer.

Mr. O'MAHONEY. I quite agree with the Senator. I thank the Senator for his explanation.

THE PRESIDENT pro tempore. The question is on the engrossment and third reading of the bill.

The bill (S. 204) was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

> *Be it enacted, etc.*, That the Administrator of Veterans' Affairs is authorized, upon request of the proper officials of the government of any nation allied or associated with the United States in the present war to furlough, in his discretion, to discharged members of the military or naval forces of any such government, at such rates and under such regulations as the Administrator may prescribe, medical, surgical, and dental treatment, hospital care, transportation and traveling expenses, prosthetic appliances, education, training, or other similar benefits, and to make medical examination, social investigations, and other reports pertaining to such persons. Any agreement entered into pursuant to the authority of this act shall provide that such services shall be paid for by the government of the nation requesting the same. Any amount received by the Veterans Administration as reimbursement for such services shall be credited to the appropriate appropriation of the Veterans Administration for the fiscal year during which expenditures were made pursuant to this act.

Mr. O'MAHONEY. Mr. President, I ask that the committee report on Senate bill 204 be printed in the RECORD at this point.

There being no objection, the report (No. 11) was ordered to be printed in the RECORD, as follows:

> The Committee on Finance, to whom was referred the bill (S. 204) to authorize the Administrator of Veterans' Affairs to furnish certain benefits, services, and supplies to discharged members of the military or naval forces of any nation allied or associated with the United States in World War No. 2, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.
>
> The bill would authorize the furnishing of certain veterans' benefits to former members of the armed forces of any nation allied or associated with the United States in the present war. Such benefits would be furnished only upon request of the Government of such nation and upon its agreement to reimburse the United States for any expenses incurred by it in furnishing such benefits.
>
> The purpose of the bill are outlined in further detail in the following letter from the Administrator of Veterans' Affairs:
>
> VETERANS ADMINISTRATION,
> Washington, D. C., December 6, 1946.
> The PRESIDENT OF THE SENATE,
> *The Capitol, Washington, D. C.*
>
> SIR: There are forwarded herewith two copies of a draft of a proposed bill entitled "A bill to authorize the Administrator of Veterans' Affairs to furnish certain benefits, services, and supplies to discharged members of the military or naval forces of any nation allied or associated with the United States in World War No. 2, and for other purposes," with the request that same be introduced and referred to the appropriate committee for consideration.
>
> The proposed legislation would authorize the Administrator of Veterans' Affairs, upon request of the proper officials of the government of any nation allied or associated with the United States in the present war, to furnish, in his discretion, to discharged members of the military or naval forces of any such government at such rates and under such regulations as the Administrator may prescribe, medical, surgical, and dental treatment; hospital care; transportation and traveling expenses; prosthetic appliances; education; training, or other similar benefits, and to make medical examinations, social investigations, and other reports pertaining to such persons. Under the bill any agreement entered into pursuant to this authority shall provide that such services shall be paid for by the government of the nation requesting the same and that any amount received by the Veterans Administration as reimbursement for such services shall be credited to the appropriate appropriation of the Veterans Administration for the fiscal year during which expenditures were made pursuant to this act.
>
> Under section 202 (14), World War Veterans' Act, 1924, as amended, the Veterans Administration is authorized to furnish transportation, medical, surgical, and hospital services and supplies and appliances to discharged members of the military or naval forces of those governments which were associated with the United States in World War No. 1 and who come within the provisions of laws of such governments similar to those of the World War Veterans' Act, 1924, as amended, and to utilize similar services, supplies, and appliances provided for discharged members of the military or naval forces of those governments in furnishing such benefits to the discharged members of the military or naval forces of the United States living within such countries and such governments and entitled to benefits under the World War Veterans' Act, 1924, as amended, under regulations prescribed by the Administrator. Following enactment of Public Law 3, Seventy-third Congress, March 20, 1933, and the veterans regulations promulgated pursuant thereto, as amended, this authority was modified by a provision contained in paragraph VI, Veterans Regulation No. 6 (a), as amended by Public Law 886, Seventy-sixth Congress, October 17, 1940, limiting the furnishing of hospitalization and medical treatment in foreign countries to veterans who are citizens of the United States and who are temporarily sojourning or residing abroad for disabilities due to war service in the armed forces of the United States. Similarly, under title III, Public Law 346, Seventy-eighth Congress, June 22, 1944, loans may not be guaranteed for veterans residing outside the United States, nor are unemployment allowances under title V thereof payable except to veterans residing in the United States.
>
> Subject to this limitation on the furnishing of hospitalization and medical treatment, guaranty of loans, or unemployment allowances to veterans of the armed forces of the United States while residing in foreign countries, there is sufficient authority under laws administered by the Veterans Administration to contract for furnishing any of the services or benefits provided thereunder to such beneficiaries of the Veterans Administration. However, there is no authority similar to that provided in section 202 (14), World War Veterans' Act, 1924, as amended, for furnishing similar services or benefits to discharged members of the military or naval forces of nations allied or associated with the United States in World War No. 2. The proposed legislation would grant such authority and permit the Administrator of Veterans' Affairs to furnish to discharged members of the military or naval forces of nations allied or associated with the United States in the present war, who may be residing in the United States, certain services and benefits at the expense of the government of such nation requesting the same.
>
> The legislation herein proposed by the Veterans Administration is deemed desirable and its consideration at an early date is recommended.
>
> Request for reciprocal agreements with respect to veterans' benefits has been made by the Dominion of Canada which has recently established under the Department of Veterans' Affairs Act of October 19, 1944, a Department of Veterans' Affairs, the Minister of which is empowered thereunder, subject to the approval of the Governor in Council, to make regulations with respect to reciprocal or other arrangements with the government of any country for furnishing similar benefits, services, and supplies to persons who served in the naval, military, or air forces of any such government.
>
> Advice has been received from the Bureau of the Budget that there would be no objection by that office to the submission of this proposed legislation to the Congress for its consideration.
>
> Respectfully,
> FRANK T. HINES, *Administrator.*

FURNISHING OF WAGE INFORMATION TO STATE UNEMPLOYMENT COMPENSATION AGENCIES

The bill (S. 184) to amend the Social Security Act by authorizing the furnishing of wage record information to State unemployment compensation agencies, was announced as next in order.

Mr. O'MAHONEY. Mr. President, I think this is an important bill, of which we ought also to have some explanation.

Mr. GEORGE. Mr. President, this is rather an important bill, but it has one very simple objective, and all its provisions point up to that one objective. It authorizes the Social Security Board to furnish wage records to State unemployment compensation agencies. It is intended to be for the benefit of the States, because some of them, at least, do not have these records. They can obtain them from the Social Security Board. The Social Security Board is in position to furnish them at a very nominal expense, and the bill provides that they be furnished at a very low or nominal expense, but in no event to exceed the actual cost of the service to the States. That is the sole purpose of the bill.

THE PRESIDENT pro tempore. Is there objection to the present consideration of the bill?

There being no objection, the bill (S. 184) was considered, ordered to be engrossed for a third reading, read the third time, and passed as follows:

> *Be it enacted, etc.*, That the Social Security Act, as amended, is further amended by adding at the end thereof the following section:
>
> "FURNISHING OF WAGE RECORD INFORMATION TO STATE AGENCIES
>
> "SEC. 1106. The Board is authorized, upon request of any agency charged with the administration of a State unemployment compensation law and to the extent consistent with the efficient administration of title II, to furnish to such agency, for use by it in the administration of such law, information from or pertaining to wage records, including account numbers, maintained by the Board in accordance with section 205 (c): *Provided*, That such agency agrees to make payment therefor in such amount, if any (not exceeding the cost of furnishing such information), and either in advance or by way of reimbursement, as may be determined by the Board. A State agency may make such payment by authorizing deductions from amounts certified by the Board under section 303 (a) for payment to such State. The amount received from, or deducted from the payment to, any State in accordance with this section shall be covered into the respective appropriations, as determined by the Board, from which the expenses of furnishing such information are paid."

Mr. O'MAHONEY. Mr. President, I ask unanimous consent that the report of the committee on Senate bill 184 may be printed in the RECORD at this point.

There being no objection, the report (No. 10) was ordered to be printed in the RECORD, as follows:

> The Committee on Finance, to whom was referred the bill (S. 184) to amend the Social Security Act by authorizing the furnishing of wage-record information to State unemployment compensation agencies, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.
>
> The purpose of the bill is to authorize the Social Security Board to furnish State unemployment compensation with wage data, including account numbers, upon the request of States and upon their agreement to reimburse the Federal Government for the actual cost of this service, either by direct payments or by authorizing deductions from grants for administrative expenses. The Board would be authorized to eliminate the charge in cases where the amount involved is too small, or the administrative inconvenience in determining the cost is too great, to warrant the making of a charge for the service.
>
> Further explanation of the need for, and purpose of, the legislation are set forth in the following letter from the Acting Federal Security Administrator:
>
> FEDERAL SECURITY AGENCY,
> OFFICE OF THE ADMINISTRATOR,
> Washington, January 4, 1945.
> Hon. HENRY A. WALLACE,
> *President of the United States Senate,*
> *Washington, D. C.*
>
> MY DEAR MR. PRESIDENT: I am enclosing for your consideration a legislative proposal to authorize the Social Security Board to furnish old-age and survivors insurance wage-record information to State unemployment compensation agencies.
>
> The Bureau of Old-Age and Survivors Insurance of the Social Security Board has wage-record data for all persons covered under title II of the Social Security Act. The States also maintain records which contain this type of information for all employees covered by the State unemployment compensation laws. Substantially all of the data in the State records is contained in the Federal records, the employer being required to furnish the information to both the Federal and State Governments.
>
> This procedure is burdensome for the employer and costly for the Federal Government, since State expenses for administering unemployment compensation are paid by the Federal Government.
>
> During the last fiscal year the total expenditure of the 51 State agencies for the collection, processing, and use of State wage records amounted to approximately $2,000,000. The Social Security Board can furnish reproduced wage cards to these agencies for approximately $450,000 annually. While the States would have some continuing static costs with respect to the maintenance and use of wage records, it is estimated that the annual net saving in Federal grants of administrative funds to the State agencies would be between $2,000,000 and $1,500,000. There would be also an incalculable saving to employers from the elimination of the necessity of reporting wages to State agencies.
>
> The principle of State compensation for the use of these Federal records was approved by the Interstate Conference of Employment Security Agencies in October 1944 in the following resolution:
>
> "Whereas there are economies in the processing of reports by an exchange of services between bureaus of the Federal Government and State agencies; Now, therefore, be it
>
> "*Resolved*, That it is the sense of the conference that legislation is favored authorizing State agencies to accept Federal funds for services rendered Federal agencies and Federal agencies to accept reimbursement for services rendered State agencies."
>
> The proposed bill would authorize the Social Security Board to furnish the State unemployment compensation commissions with wage data, including account numbers, upon the request of States and upon their agreement to reimburse the Federal Government for the actual cost of this service, either by direct payments or by authorizing deductions from grants for administrative expenses. The Board would be vested with the discretion to eliminate the charge when the amount involved was too small, or when the administrative inconvenience in determining the cost was too great to warrant the making of a charge for the service.
>
> The proposal is, I believe, particularly timely because many of the State legislatures are expected to consider the enactment of measures this winter to extend employer coverage under the State unemployment compensation laws to employers of one or more, in line with the coverage under the old-age and survivors insurance system. If the States give retroactive wage credits to employees of these small employers, such employees will receive much-needed protection against the hazards of unemployment during the reconversion period. However, it would be both costly and impractical to require small employers to file wage reports for prior quarters. Use of old-age and survivors insurance transcripts in this interim period to determine the benefit rights of such employees would be highly desirable.
>
> The proposal would also have the advantage of permitting the States to destroy old records which they are required to use only on rare occasions, thus saving costs of storage and maintenance. In cases of fire, moreover, such as occurred in the Montana agency, use of the Federal records offers the only adequate and economical solution.
>
> I shall appreciate it if you will be good enough to refer the enclosed draft bill to the proper committee for action.
>
> The Bureau of the Budget advises that there is no objection to the submission of this proposed bill to the Congress.
>
> Sincerely yours,
> WATSON B. MILLER,
> *Acting Administrator.*

BROADCASTING OF NONCOMMERCIAL CULTURAL OR EDUCATIONAL PROGRAMS

The bill (S. 63) to amend the Communications Act of 1934, as amended, so as to prohibit interference with the broadcasting of noncommercial cultural or educational programs was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

> *Be it enacted, etc.*, That the Communications Act of 1934, as amended, is amended by inserting, after section 326 of such act, a new section, as follows:
>
> "SEC. 326. It shall be unlawful for any person, or any person representing an association or group, to interfere with, intimidate any person or persons, hinder, extort, delay, prevent, or conspire with other persons for the purpose of hindering, delaying, interfering with, or stopping the production or transmission, by means of any radio station of any noncommercial education or cultural program presented by any academically accredited and tax-exempt educational institution, prepared and planned for presentation by radio or in the process of being transmitted by radio stations, and it shall likewise be unlawful for any person as a part of a group or organization to threaten or intimidate any other person for the purpose of preventing by group action the operation of any broadcasting station while preparing for or in the operation of broadcasting such noncommercial educational or cultural programs, unless such interference, work stoppage, or group action is part of a general action for other purposes and is of general and broader nature or purpose than to prevent or interfere with the broadcasting of such noncommercial educational and cultural programs:

Provided, That such radio station or stations have agreed to broadcast such programs and that no service, money, or other valuable consideration is directly or indirectly paid or promised to, or charged or accepted by, such station from any person for broadcasting or agreeing to broadcast such program and no service, money, or other valuable consideration is directly or indirectly paid or promised to, or charged or accepted by, the person producing or participating in such program from such station or from any commercial sponsor for services rendered in producing or participating in such program.

"DEFINITION

"'To conspire,' for the purposes of this section, shall mean to plan with others, to hold meetings for the purpose of planning, to take action as the result of a plan or purpose—such as united stoppage of work at a radio plant, or to write communications urging interference by action or by word of mouth to induce action for the purpose of interference."

PHILIP KLEINMAN

The bill (S. 411) for the relief of Philip Kleinman was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the Secretary of the Treasury is authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Philip Kleinman, of Salem, Oreg., the sum of $400 in full satisfaction of his claim against the United States for payment of medical and hospital expenses incurred by him in securing medical and hospital treatment of his physical disabilities attributable to injuries sustained by him, in the course of duty, while he was a member of Company O, Twenty-sixth Infantry, United States Army: *Provided*, That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding $1,000.

HARRIET B. RICKARDS

The bill (S. 213) for the relief of Harriet B. Rickards was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the Administrator of Veterans Affairs is authorized and directed to pay, out of any funds available for payments of adjusted-service credits and the installments due to dependents of deceased veterans, as provided in the act of May 19, 1936, as amended, the sum of $386.80, to Harriet B. Rickards, of Seattle, Wash., in full satisfaction of her claim against the United States for the proceeds of seven checks drawn during the fiscal years 1937 and 1938 to the order of Mary Ellen Butler, the deceased mother of the said Harriet B. Rickards, such checks having been for value received, properly endorsed by the said Mary Ellen Butler and her right to the proceeds thereof transferred to the said Harriet B. Rickards prior to the death of said Mary Ellen Butler on August 28, 1939, though not presented for payment prior to such date: *Provided*, That no part of the amount appropriated in this act in excess of 10 percent thereof shall be paid or delivered to or received by any agent or attorney on account of services rendered in connection with this claim, and the same shall be unlawful, any contract to the contrary notwithstanding. Any person violating the provisions of this act shall be deemed guilty of a misdemeanor and upon conviction thereof shall be fined in any sum not exceeding $1,000.

G. F. ALLEN

The bill (S. 215) for the relief of G. F. Allen, chief disbursing officer, Treasury Department, and for other purposes, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the Comptroller General of the United States is authorized and directed to allow credit in the accounts of G. F. Allen, chief disbursing officer, Treasury Department, in an amount not to exceed $709.51, for items suspended or disallowed.

SEC. 2. The Comptroller General is authorized and directed to allow credit in the accounts of former disbursing clerks of the Division of Disbursement, Treasury Department, for items suspended or disallowed, not to exceed the amounts stated: M. V. Bates, former disbursing clerk, Treasury Department, Lansing, Mich., $88,774.09; Ivan Carrico, former disbursing clerk, Treasury Department, Charleston, W. Va., $48,976.77; W. P. Conner, former disbursing clerk, Treasury Department, District of Columbia, $59.62; T. A. Dillon, former disbursing clerk, Treasury Department, Indianapolis, Ind., $127.80; O. Hammer, former disbursing clerk, Treasury Department, Albany, N. Y., $21.47; D. E. Love, former disbursing clerk, Treasury Department, Santa Fe, N. Mex., $83.80; L. S. McCracken, former disbursing clerk, Treasury Department, San Francisco, Calif., $594.70; S. S. Ogden, former disbursing clerk, Treasury Department, Jefferson City, Mo., $11.48; J. W. Reyner, former disbursing clerk, Treasury Department, Raleigh, N. C., $800.08; P. H. Sullivan, former disbursing clerk, Treasury Department, Jefferson City, Mo., $88.81; L. V. Wilcombe, former disbursing clerk, Treasury Department, Harrisburg, Pa., $16,800.78.

SEC. 3. The Comptroller General of the United States is authorized and directed to allow credit in the accounts of G. F. Allen, chief disbursing officer, Treasury Department, and all former disbursing clerks operating under the Division of Disbursement for the amounts of all suspensions and disallowances raised and not covered by sections 1 and 2 of this act, or which may be raised, against the said chief disbursing officer and former disbursing clerks on account of payments made in accordance with vouchers certified by duly authorized certifying officers during the period December 16, 1933, to March 31, 1943: *Provided*, That the Secretary of the Treasury shall certify that in his opinion there is no evidence of fraud on the part of the said chief disbursing officer or disbursing clerks in connection with such payments.

SEC. 4. No charge shall be made against the certifying officer responsible for the certification of vouchers pursuant to the provisions of Executive Order No. 6166, dated June 10, 1933, and any charge heretofore made against any such officer, shall be removed, for the amount of any payment for which credit shall be allowed under sections 1, 2, and 3 of this act, where the head of the department or establishment concerned, or his duly authorized representative, shall certify to the Comptroller General of the United States that the payment appears to have been made without fraud on the part of the certifying officer.

SEC. 5. The Comptroller General of the United States is authorized and directed to allow credit in the accounts of W. O. Woods, former Treasurer of the United States, and W. A. Julian, Treasurer of the United States, for sums not to exceed $1,184.88, and $65,824.51, respectively, representing unavailable items in their accounts as former Treasurer and Treasurer of the United States: *Provided*, That any recoveries heretofore or hereafter made in respect of any of the foregoing items, may, in the discretion of the Comptroller General of the United States, be applied to offset unavailable items of a similar character hereafter arising in the accounts of the former Treasurer and Treasurer, respectively, upon a showing that such unavailable items have occurred without fraud on the part of the former Treasurer or Treasurer.

SEC. 6. There is hereby appropriated out of any money in the Treasury not otherwise appropriated, the sum of $10,394.08, of which amount (a) not to exceed the sum of $20 shall be credited to the account of T. A. Dillon, former Treasury-State disbursing clerk, Indianapolis, Ind., disbursing symbol 43-01-85, to the extent necessary to adjust an overdraft resulting from an overpayment by check No. 0,422,824, dated August 28, 1939; (b) not to exceed the sum of $1,739.46 shall be credited to the Treasurer's account to the extent necessary to adjust unavailable items resulting from certain shortages, the amount of a check paid on a forged endorsement, the difference between the value of a stolen package of currency and the amount recovered, and the value of three checks which were lost in the Office of the Treasurer of the United States after payment; and (c) not to exceed the sum of $8,635.02 shall be credited to the account of Edwin H. Drenel, superintendent, United States mint, Philadelphia, Pa., to the extent necessary to adjust an unavailable item representing the contents of a bag containing gold coins the absence of which from a vault in the Philadelphia, Pa., Mint, was discovered during February 1937, such coins having a face value of $8,000, and interest of $635.02 resulting from the reduction in the weight of the gold dollar.

G. F. ALLEN

The bill (S. 217) for the relief of G. F. Allen, chief disbursing officer for the Treasury Department, and for other purposes, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That, notwithstanding the provisions of the act of February 26, 1919 (40 Stat. 1206), as amended by the act of April 23, 1940 (54 Stat. 148), authorizing the Secretary of the Interior to employ engineers and economists for consultation purposes on important reclamation work, the Comptroller General of the United States be, and he is hereby, authorized and directed to allow credit in the account of G. F. Allen, chief disbursing officer of the Treasury Department, for the sum of $1,000, base pay, and $48.30, overtime, a total of $1,048.30, paid by him to Dr. Paul S. Taylor, of Berkeley, Calif., as compensation in excess of $5,000, plus overtime, for personal services rendered during the period from July 1, 1943, to June 13, 1944, and to cancel any claims against the said Dr. Paul S. Taylor and the pay-roll certifying officers of the Department of the Interior for the excess compensation so paid.

SEC. 2. The Comptroller General of the United States is further authorized and directed to allow, out of the unexpended balance of the appropriation for salaries in the Office of the Secretary, Department of the Interior, for the fiscal year ending June 30, 1944, the claim of the said Dr. Paul S. Taylor for the sum of $975, base pay, and $38.11, overtime, a total of $993.11, representing the balance due him for compensation for personal services which he rendered during the period from June 14, 1944, to June 30, 1944, as a consulting economist of the Department of the Interior.

MRS. AMY MCKNIGHT

The bill (S. 335) for the relief of Mrs. Amy McKnight was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That sections 18 to 20, inclusive, of the act entitled "An act to provide compensation for employees of the United States suffering injuries while in the performance of their duties and for other purposes," approved September 7, 1916, as amended, are hereby waived in favor of Mrs. Amy McKnight, widow of George McKnight, a former employee of the War Department at Fort Peck, Mont., whose death on February 25, 1936, is alleged to have resulted from pneumonia contracted while in the performance of duty prior to February 13, 1936, and the United States Employees' Compensation Commission is authorized to receive and consider her claim under the remaining provisions of the said act: *Provided*, That claim hereunder shall be filed within 6 months from the approval of this act: *Provided further*, That no benefits shall accrue prior to the approval of this act.

FURLOUGH OF OFFICERS BY SECRETARY OF THE NAVY

The bill (S. 219) to amend section 1442, Revised Statutes, relating to furlough of officers by the Secretary of the Navy, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That section 1442, Revised Statutes (34 U. S. C. 226), is hereby amended by striking out the period at the end of the sentence and inserting in lieu thereof "and Marine Corps, and any officer of the Coast Guard while the Coast Guard is operating as part of the Navy. This section shall not apply to reserve officers of such organizations."

INCREASE IN NUMBER OF STUDENTS IN NAVAL RESERVE OFFICERS' TRAINING CORPS

The bill (H. R. 621) to further amend section 22 of the act approved March 4, 1925, entitled "An act providing for sundry matters affecting the naval service, and for other purposes," by changing the limitation on the total personnel of the Naval Reserve Officers' Training Corps, and for other purposes, was considered, ordered to be engrossed for a third reading, read the third time, and passed.

Mr. WALSH. Mr. President, I ask unanimous consent to have printed at this point in the RECORD the report to accompany House bill 621.

There being no objection, the report (No. 19) was ordered to be printed in the RECORD, as follows:

The Committee on Naval Affairs, to whom was referred the bill (H. R. 621) to further amend section 22 of the act approved March 4, 1925, entitled, "An act providing for sundry matters affecting the naval service, and for other purposes," by changing the limitation on the total personnel of the Naval Reserve Officers' Training Corps, and for other purposes, having considered the same, report favorably thereon without amendment, and recommend that the bill do pass.

The purpose of the bill is to authorize a permanent increase in the number of students in the Naval Reserve Officers' Training Corps from 7,200 to 16,000 and to authorize a temporary increase to 26,000 until the expiration of 1 year after the cessation of hostilities in the present war.

The Naval Reserve Officers' Training Corps was established by act of Congress approved March 25, 1926, and authorized an enrollment of 2,400 students. Between 1926 and 1940 units were established in 11 universities. An act approved September 11, 1940, changed the limitation from 2,400 to 7,200 students. At the present time 6,906 students are enrolled and units are established at 27 colleges or universities.

The Naval Reserve Officers' Training Corps is an economical method of producing Reserve officers and the product is a well-trained naval officer, fully capable of taking his place in the fleet when the need for his services arises.

Departments of naval science and tactics are set up in the universities to provide essential naval training throughout a college course of normal length. In peacetime each student devotes approximately 4 hours per week to naval work during his 4 years in college. This is exclusive of outside preparatory time. The students participate in one or more practice cruises during which he receives practical instruction of his winter academic studies.

The curriculum of the Naval Reserve Officers' Training Corps includes navigation, ordnance and gunnery, marine engineering and electricity, seamanship, and communications. The students also study naval history, aviation, and military and international law.

Upon graduation all students who have successfully completed the 4-year course in naval science and tactics and are physically qualified are given commissions as ensigns in the Naval Reserve or second lieutenants in the Marine Corps. A limited number are also commissioned in the line and staff of the Regular Navy and the Marine Corps.

The Navy Department informed the committee that graduates of the Naval Reserve Officers' Training Corps have distinguished themselves as officers in the Regular Navy and Marine Corps, and during the last few years have proved an invaluable addition to the strength of the Naval Reserve in active service.

During the present war, the Naval Reserve Officers' Training Corps was inadequate to meet the increased needs for naval officers, and the Navy V-12 college training program was adopted. At the present time there are 131 undergraduate colleges in the V-12 program with a total enrollment of approximately 60,000 students. On July 1, 1945, it is expected that there will be not more than a total of 30,000 students and that this number will be reduced considerably thereafter. The committee was informed that no more students will be enrolled in the Navy V-12 program and that it is the intention of the Navy Department to reduce and finally eliminate the V-12 program and consolidate it with the Naval Reserve Officers' Training Corps units. It is believed that the expansion of the Naval Reserve Officers' Training Corps can best be accomplished by converting to this program the best facilities now in use by the V-12 program. This conversion of facilities would proceed progressively as the V-12 program is curtailed. Under this expansion the trainee complements at present Naval Reserve Officers' Training Corps colleges would be increased and new Naval Reserve Officers Training Corps units established at certain universities and colleges. Those institutions to receive new Naval Reserve Officers' Training Corps units fall into two classes:

(a) Institutions with enrollments sufficiently large so that a peacetime Naval Reserve Officers' Training Corps can be supported, and

(b) Smaller colleges which have no commitments to the Army for Reserve Officers' Training Corps units and which have been enthusiastic and successful in administering the V-12 program.

If the bill is enacted into law, Naval Reserve Officers' Training Corps units will be established in approximately 23 additional colleges or universities, making a total of 50.

The committee is of the opinion that it will be necessary to maintain a large Navy in the post-war era, and that the additional officers required, over and above the graduates of the Naval Academy, can best be obtained from graduates of the Naval Reserve Officers' Training Corps.

A similar bill passed the Senate of the Seventy-eighth Congress on December 18, 1944.

The bill was introduced at the request of the Navy Department and has been cleared by the Bureau of the Budget.

SIGURDUR JONSSON AND THOROLINA THORDARDOTTIR

The bill (S. 314) for the relief of Sigurdur Jonsson and Thorolina Thordardottir was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the Secretary of the Treasury be, and he is hereby, authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, to Jon Sigurdsson as attorney in fact for his parents, Sigurdur Jonsson and Thorolina Thordardottir, of Hafnarfjordur, Iceland, for and on their behalf, the sum of $4,070.88, in full settlement of all claims against the United States for the death of their son, Thordur Sigurdsson, who was fatally injured when shot by an enlisted soldier in the Army of the United States on November 8, 1941, at Hafnarfjordur, Iceland: *Provided*, That the claimants accept such sum in full settlement of all claims against the United States for the death of their son.

CONSTRUCTION OF CERTAIN PUBLIC WORKS BY THE NAVY

The Senate proceeded to consider the bill (H. R. 626) to authorize the Secretary of the Navy to proceed with the construction of certain public works and for other purposes, which had been reported from the Committee on Military Affairs, with amendments, on page 2, line 11, after the word "facilities", to insert "including housing for civilian employees," and in line 17, after the word "exceed", to strike out "$1,500,549,500" and insert "$1,500,559,500."

The amendments were agreed to.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

Mr. WALSH. Mr. President, I ask unanimous consent to have the report to accompany House bill 626 printed at this point in the RECORD.

There being no objection, the report (No. 21) was ordered to be printed in the RECORD, as follows:

The Committee on Naval Affairs, to whom was referred the bill (H. R. 626) to authorize the Secretary of the Navy to proceed with the construction of certain public works, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

Page 2, line 10, after the word "facilities", insert the following: "including housing for civilian employees,".

Page 3, line 15, strike out the figures "$1,800,548,500" and substitute thereof "$1,800,538,000."

The purpose of the bill is to authorize the appropriation of $1,500,538,000 for the establishment or development of naval shore activities by the construction of such temporary or permanent works as the Secretary of the Navy may consider necessary including buildings, facilities, accessories, and services with which shall be included the authority to acquire the necessary land.

The bill also provides that the approximate cost indicated for each category required, in the discretion of the Secretary of the Navy, be varied upward or downward but the total cost shall not exceed $1,500,538,000. This flexibility is necessary in order to permit the authorizations herein contained being effectively carried out, thus allowing for changes as the military situation may develop.

The bill as submitted by the Navy Department is divided into 12 categories, each category representing the work under the cognizance of the various bureaus and offices of the Navy Department. The break-down of the bill into these categories is as follows:

Summary by activities

Ship-repair and laying-up facilities	$280,222,000
Fleet-training facilities, amphibious and operational	12,000,000
Aviation facilities	88,418,000
Storage facilities	19,950,000
Marine Corps housing and training	14,190,000
Ordnance facilities	85,800,000
Personnel training and housing facilities	40,022,000
Hospital facilities	28,519,000
Shore radio facilities	5,280,000
Naval Research Laboratory	228,000
Miscellaneous structures and facilities	41,262,000
Advance-base construction, material, and equipment	988,000,000
Total	1,500,538,000

In view of the confidential nature of a considerable number of projects submitted by the Navy Department it is not considered advisable or desirable to publish in this report a confidential break-down of the various individual items making up the total of the bill.

The committee was advised by the representatives of the Navy Department that the items submitted had been thoroughly screened by the field and in the Department and that reductions had been made from the original submissions by the field in the amount of some $340,000,000, representing approximately 40 percent of the total of the bill. The committee was further advised that all of the projects submitted had an important bearing on the prosecution of the war and were considered essential in order that the necessary training, storage, aviation, Marine Corps housing, ordnance, personnel, hospital, radio, and research facilities be provided for the support of the fleet.

A brief description of each of the categories of the projects is as follows:

SHIP-REPAIR AND LAYING-UP FACILITIES, $280,222,000

The projects under the heading fall into the following classes:

(a) Expansion of west coast naval repair facilities to handle the work expected to develop out of the war in the Pacific.

(b) Improvement of existing naval facilities to permit their most effective use for the work of ship repair. This includes the conversion of existing shipbuilding facilities.

(c) Accommodation of vessels of the Reserve Fleet.

These projects are required to develop the repair facilities commensurate to the magnitude of the program as visualized for the fiscal year 1946 and include the rearrangement and conversion of the various yards and stations to increase the repair output and to provide those additional facilities found necessary in the present operations of the yards. There is included under this heading an item of $99,650,000 to provide berthing and maintenance facilities for inactive ships. These consist of piers, wharves, services, shop facilities, and limited custodial housing for ships placed in inactive status so that they can be properly maintained for instant recommissioning.

FLEET TRAINING FACILITIES, AMPHIBIOUS AND OPERATIONAL, $12,000,000

The projects provided under this heading are based not upon an expansion of the training facilities but upon expected changes to be made in the methods of training brought about by the development of new weapons and the changing technique of combat. The successes of our Navy over the Japanese have been due largely to our better developed weapons and our superior training in the use of these weapons. The committee is convinced that all personnel entering the combat area have the best and most up-to-date training that it is possible to provide.

AVIATION FACILITIES, $88,418,000

During the current fiscal year and in previous years it has been necessary to forego the construction of many important facilities, because of limitations of material and labor markets. Projects in the present bill will round out the stations with facilities necessary for increased efficiency of operations but which it has not previously been possible to provide. Some of the facilities now required are needed to replace construction accomplished under pressure during the early days of the war from materials that have not withstood the test of time. The changes, in the character of warfare, including jet propulsion, rocket projectiles, and greater emphasis on flight fighting and air support of ground troops, require additional facilities for both operational and base training. Lessons learned from combat experience require constant change in technique. Such changes are rapidly reflected in short facility requirements and the program submitted by the Navy Department is based on the fulfillment of these requirements.

The House Committee on Naval Affairs reduced the authorization for aviation facilities from $79,800,000 to $88,418,000, a reduction of $16,082,000. This amount was intended for the construction of a naval air field at or near Annapolis, Md., for the training of midshipmen. Several members of the House Naval Affairs Committee were of the opinion that this project required further study before they could give their approval.

STORAGE FACILITIES, $19,950,000

The projects submitted under this heading are those considered by the Department to be absolutely essential to take care of storage and warehousing of supplies and equipment which must be kept in stock and readily available for shipment to various units of the fleet and shore establishments as the needs arise. It is essential that adequate storage facilities be provided, so that no lack of material and supplies will exist at times when they are critically needed. The provision of storage facilities is a constantly changing problem and continuous supervision is maintained to make the most efficient use of existing facilities as well as to anticipate future requirements.

MARINE CORPS HOUSING AND TRAINING, $14,190,000

The construction projects under this heading during 1946 are necessary to provide the essential training and housing facilities to keep the Marine Corps in the best possible fighting trim and to develop a unit ready in all respects to meet the enemy. The items submitted have been examined thoroughly by the Commandant of the Marine Corps and have been sent to the committee as being essential for training activities of the Marine Corps for the coming fiscal year.

ORDNANCE FACILITIES, $85,800,000

The items presented to the committee under this heading fall into four general groups; namely, research, production, storage, and handling, personnel. The scope of these groups may be summarized as follows:

(a) The need for additional facilities or completing new facilities for the development of new and novel ordnance and improvement of existing ordnance designs.

(b) The need of increase in production facilities for new types of ordnance and the need for alteration of production facilities to improve safety.

(c) The need of increase in storage facilities to keep the material reserve for the maintenance and replacement of naval ordnance in service, including battle damage replacements, and the ammunition for the increase of the weapons and the increase of ammunition to provide an enlarged supply line to keep an adequate flow of this material. This category likewise includes such items as improvements in rail facilities, transfer depots, and the like.

(d) The need to increase personnel housing and recreational facilities in isolated areas and to obtain facilities enabling replacement of personnel by mechanized equipment in the face of crowding civilian manpower and because of heavier production and distribution demands.

Each item included in this category has been thoroughly screened by the Chief of Bureau of Ordnance before submission in this bill. The Chief of the Bureau of Ordnance has stated to us that each item in the bill is considered essential for the effective and efficient prosecution of the war. Some of the items presented—for example, ammunition storage—were considered in general terms because the Bureau of Ordnance, while foreseeing the need for storage in the capacity set forth, cannot at this time determine precisely where the storage should be constructed nor the exact type of buildings which would be required. Nevertheless, the experience of the Bureau indicates definitely that the funds requested are necessary to meet the present program.

PERSONNEL TRAINING AND HOUSING FACILITIES, $40,022,000

The items included in this category have been determined by the Bureau of Personnel to be essential and are as modest as possible to carry out its mission of housing and training of the officers and men of the Navy. The items submitted are those necessary to round out existing installations and to provide minimum requirements for rehabilitation and retraining of personnel returning from combat and for housing of families of naval personnel. The maintenance of morale among persons serving in naval forces is dependent upon the provision of housing for families in localities where such accommodations do not exist. This need is especially acute on the west coast. The rehabilitation of personnel suffering from malaria, diseases, and battle fatigue is an important project and vital if such personnel is to be returned to normal usefulness either in military or civilian life. The authorization requested is a minimum one but essential to the preservation of morale.

HOSPITAL FACILITIES, $28,519,000

The estimates submitted by the Bureau of Medicine and Surgery for inclusion in this bill embrace major repairs to the existing naval hospital plant, the provision of additional facilities in connection with the rehabilitation program for patients and the acquisition of an additional 15,000 beds to provide a total of 90,000 beds in the continental Navy hospitals at the end of the fiscal year 1946.

SHORE RADIO FACILITIES, $5,280,000

The projects included under this category contemplate a continuation of the program started last year and the items submitted are toward this end. The items include facilities for precision frequency measurements and control of naval shore transmitters, for aeronautical communications and safety devices involving electronic applications, and for preparation, storage, and shipment of communication publications. Other projects, though important, have had to be held up for lack of engineering talent to process them. These projects are included in the requested estimates and are designed to develop the shore communication services to a high point of efficiency.

NAVAL RESEARCH LABORATORY, $228,000

The items submitted under this heading are to provide housing for scientists and other technical personnel in the Naval Research Laboratory now located on the Chesapeake Bay, where suitable housing does not exist and where it is essential that adequate housing be provided to properly house the high-grade technical and scientific men now engaged in technical research.

MISCELLANEOUS STRUCTURES AND FACILITIES, $41,262,000

The items submitted under this heading are those essential to the upkeep and maintenance of the shore establishment, including power, sewer, water, fire protection, communication, and other miscellaneous facilities not covered specifically in other categories and which are essential to the satisfactory operation of the naval shore establishment. These projects vary greatly in magnitude and are required to meet changing conditions and to provide for unforeseen failure in services wherever they may occur.

ADVANCE-BASE CONSTRUCTION, MATERIAL AND EQUIPMENT, $988,000,000

These funds are required to provide the necessary material and equipment for overseas construction where the combat areas may exist or be extended.

Vice Admiral Horne appeared before the committee and stated that the Navy Department felt this was the minimum needed to permit it to successfully prosecute the war.

Since July 1, 1940, the Congress has authorized appropriations to the Navy for naval public works projects totaling $7,145,847,861. The bill was introduced at the request of the Navy Department and has been cleared by the Bureau of the Budget.

GRANT TO CANTON, OHIO, OF LAND WITHIN UNITED STATES NAVAL ORDNANCE PLANT

The bill (S. 213) to authorize the Secretary of the Navy to grant to the city of Canton, Ohio, for highway purposes only, a strip of land situated within the United States Naval Ordnance Plant at Canton, Ohio, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the Secretary of the Navy be, and he is hereby, authorized to grant to the city of Canton, Ohio, for use as a public highway, under such conditions as may be approved by the Secretary of the Navy, all right, title, and interest of the United States of America in and to a strip of land containing approximately one and forty-four one-hundredths acres, 25 feet in width off the north side of the northwest quarter, section 18, township 19, range 8, Canton, Stark County, Ohio, and extending from Ralf Road, southwest, west to the township line between Canton and Perry Township.

SEC. 2. That if any part of the above-described lands hereby granted to the city of Canton shall be used for any other purpose or purposes, or shall cease to be maintained by the city of Canton for the purpose for which granted, such part shall revert to the United States.

GRANT OF EASEMENT TO OAHU RAILWAY & LAND CO.

The bill (S. 216) to authorize the Secretary of the Navy to convey to Oahu Railway & Land Co. an easement for railway purposes in certain lands situated at Halawa, Ewa, Oahu, T. H., was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the Secretary of the Navy be, and is hereby, authorized to convey to Oahu Railway & Land Co. an easement for railway purposes in and over a 40-foot strip of land at Pearl Harbor Navy Yard in Halawa, Ewa, Oahu, T. H., containing approximately 3[illegible] acres, metes and bounds description of which is on file in the Navy Department, in consideration of that company's waiving and relinquishing any and all claim to compensation for the taking by the United States of the company's right-of-way easement over and across approximately 2[illegible] acres of land described in condemnation proceedings pending in the District Court of the United States for the Territory of Hawaii entitled "United States of America, petitioner, against Certain Lands at Halawa, Ewa, Oahu, Territory of Hawaii, and Oahu Railway and Land Co., a corporation, defendant," being civil No. 408.

EXCHANGE OF LAND AT EASTPORT, MAINE, AND CONVEYANCE OF ROADWAY EASEMENT

The bill (S. 217) to authorize an exchange of lands between the city of Eastport, Maine, and the United States, and the conveyance of a roadway easement to the city of Eastport, Maine, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the Secretary of War be, and he is hereby, authorized to transfer, under such conditions as may be approved by the said Secretary, to the city of Eastport, Maine, without cost to the city of Eastport, Maine, all right, title, and interest in and to the following parcels of land situated on Moose Island, Washington County, Maine, metes and bounds descriptions of which are on file in the War Department:

Parcel 1: A parcel of land containing eight and eighty-four one-hundredths acres, more or less, adjacent to and lying south of the southerly shore line of Carrying Place Cove, being that parcel of land formerly owned by Andrew J. Malloy and being bounded on the south by the northerly right-of-way line of Deep Cove or Barrett Road, on the east by a parcel of land formerly owned by Mrs. E. B. Townsend and on the west by a parcel of land formerly owned by David C. MacNichol.

Parcel 2: A parcel of land containing nine and eighty-one one-hundredths acres, more or less, adjacent to and lying south of the southerly shore line of Carrying Place Cove, being that parcel of land formerly owned by Mrs. E. B. Townsend and being bounded on the south by the northerly right-of-way line of Deep Cove or Barrett Road, on the east by the westerly right-of-way line of said road, and on the west by the easterly line of a parcel of land formerly owned by Andrew J. Malloy.

Parcel 3: A parcel of land containing nine and fifty-eight one-hundredths acres, more or less, adjacent to and lying between the southwesterly right-of-way line of the Maine Central Railroad Co. and Maine State Highway Numbered 180, being bounded on the northeast by said right-of-way line and on the northwest by two parcels of land now or formerly owned by C. H. Bishop and W. J. Murphy, respectively.

SEC. 2. The Secretary of War, in consideration of the transfer hereinabove authorized, is further authorized, on behalf of the United States, to accept from the city of Eastport, Maine, without cost to the United States, all right, title, and interest of the city in and to the following-described parcels of land situated on Moose Island, Washington County, State of Maine, metes and bounds description of which are on file in the War Department:

Parcel 1: A parcel of land containing five acres, more or less, adjacent to the northerly shore line of Carrying Place Cove, being bounded on the east by a tract of land now or formerly owned by R. C. Emery and on the west by a tract of land now or formerly owned by Melinda Taylor.

Parcel 2: A parcel of land containing fifteen and twenty-five one-hundredths acres, more or less, adjacent to and lying west of the westerly right-of-way line of the Maine Central Railroad Company and east and south of a large parcel of land now owned by the United States of America.

Parcel 3: A parcel of land containing four acres, more or less, lying between the easterly right-of-way line of the Maine Central Railroad Company and the westerly right-of-way line of Indian or Carlow Island Road.

Parcel 4: A parcel of land containing nine and five-tenths acres, more or less, adjacent to and lying easterly of that parcel of land described in section 2 hereof as parcel 1, being bounded on the north by the southerly shore line of Passamaquoddy Bay, on the west by a parcel of land belonging to the United States of America, and on the southwest by the northeasterly right-of-way line of Indian or Carlow Island Road.

SEC. 3. The Secretary of War is further authorized to transfer, under such conditions as may be approved by the said Secretary, to the city of Eastport, Maine, without cost to the city, a permanent easement for roadway purposes, in, over, and across the following-described parcel of land situated on Moose Island, Washington County, Maine, a metes and bounds description of which is on file in the War Department:

Parcel 1: A parcel of land containing twelve and eighty-three one-hundredths acres, more or less, lying in the northeasternmost corner of Moose Island, and being formerly owned by heirs of Anderson.

SEC. 4. The right to alter, amend, or repeal this act is hereby expressly reserved.

Mr. WHITE subsequently said: Mr. President, I have broken my glasses, and for the time being I am deprived of sufficient sight to read a bill dealing with an exchange of land in Maine.

Mr. BARKLEY. I will gladly loan the Senator my glasses, though his eyes are younger than mine.

Mr. WHITE. I thank the Senator, but I cannot compete with the Senator in respect to the matter of good eyesight.

On page 4 of the calendar, Order No. 24, there is a Senate bill authorizing, apparently, the transfer of land from the city of Guilford, Maine, to the United States. There is no city of Guilford in Maine. The city in question is Eastport, Maine. May I be advised with respect to that matter?

Mr. BREWSTER. I will advise the Senator that the bill provides for the transfer of lands to the city of Eastport, Maine.

Mr. WHITE. And is the city of Eastport named in the body of the bill?

Mr. BREWSTER. Yes, in both the bill and the report on the bill the name Eastport, Maine, is used.

The PRESIDENT pro tempore. The Chair will state to the Senator from Maine that the clerk advises the Chair that the bill refers to "Eastport," and not "Gulfport." The bill has been passed.

AUTHORIZATION FOR ACCEPTANCE OF DECORATIONS AND ORDERS FROM BRAZIL

The bill (S. 221) to authorize Lewis Hobart Kenney, Charles Garner, Charles Clement Goodman, and Henry Charles Robinson to accept decorations and orders tendered them by the Government of the United States of Brazil was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That Lewis Hobart Kenney, Charles Garner, Charles Clement Goodman, and Henry Charles Robinson are hereby authorized to accept from the Government of the United States of Brazil such decorations, orders, medals, and emblems as have been or may be tendered them, hereby expressly granting the consent of Congress required for this purpose by clause 8 of section 9, article I, of the Constitution.

LEASE BY NAVY OF CERTAIN LANDS IN SAN DIEGO COUNTY, CALIF.

The Senate proceeded to consider the bill (S. 218) to authorize the Secretary of the Navy to lease certain lands situated in San Diego County, State of California, which had been reported from the Committee on Naval Affairs with an amendment, on page 2, line 1, after "one-thousandths", to strike out "(0.258)", so as to make the bill read:

Be it enacted, etc., That the Secretary of the Navy be, and he is hereby, authorized to lease for a period not to exceed 25 years, upon such terms and conditions as may be approved by the Secretary of the Navy, to the Southern California Telephone Co., a corporation, organized under the laws of the State of California, a parcel of land situated in section 32, township 9 south, range 6 west, San Bernardino base and meridian, consisting of two hundred and fifty-eight one-thousands of an acre, more or less, comprising a part of the United States Marine Corps training area, Camp Joseph H. Pendleton, San Diego County, Calif., and a parcel of land situated in Pueblo lot 1311 of the Pueblo Lands of San Diego County, Calif., consisting of an acre, more or less, comprising a part of the United States Marine Corps rifle range, Camp Matthews, in said county and State, the metes and bounds descriptions of which said lands are on file in the Navy Department, for the construction, maintenance, and operation of repeater station facilities: *Provided*, That when the lands shall cease to be used for said purposes, the lease shall be automatically terminated and the lands shall revert to the United States.

SEC. 2. That the Secretary of the Navy be, and he is hereby authorized to execute on behalf of the United States all instruments necessary to accomplish the aforesaid purposes.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

The PRESIDENT pro tempore. That concludes the calendar.

INCREASE IN AMOUNT OF EXEMPTION FROM S. E. C. REGULATIONS

Mr. VANDENBERG. Mr. President, I do not like to be impatient with Senate committees, but ever since last August the Senate Committee on Banking and Currency has had before it a very simple proposal contained in a bill which I introduced at that time, to increase from $100,000 to $300,000 the exemption from S. E. C. regulations for the registration and control of the issuance of securities. The measure has the approval of the S. E. C. It is greatly in the interest of small business which finds it difficult to comply with all the requirements of the S. E. C. in respect to the financing affecting it. There seems to be no reason in the world why the bill should not be passed, yet ever since last August it has been reposing in the pigeon holes of the Committee on Banking and Currency. I have twice written the distinguished charman of the committee asking that he give some attention to the bill. I simply wish to assert that I am pretty nearly through waiting, and I give notice that unless there can be some sort of action within a reasonable time, I shall offer the bill as an amendment to some other pending measure in the Senate.

Mr. BARKLEY. Mr. President, in that connection I will say to the Senator that the bill to which he refers was introduced last August and was not acted on in the last session because for a good portion of the time thereafter the Senate was not in session. It has been impossible for me, for various reasons, to attend very many of the sessions of the committee since the Senate convened in January. I will take the matter up with the chairman as soon as possible and see if some action cannot be obtained.

Mr. VANDENBERG. I thank the Senator from Kentucky. There is no reason in the world why there should be any controversy over the measure, but I am sure the able Senator from Kentucky will sympathize with me in my impatience over the long and, as I believe, unreasonable delay.

Mr. BARKLEY. I can sympathize with and appreciate any Senator's impatience, because I am afflicted in the same way myself.

Mr. VANDENBERG. I am glad to have the sympathy of the Senator from Kentucky.

ADJOURNMENT TO MONDAY

Mr. BARKLEY. Mr. President, the business of the day having been concluded, I move that the Senate adjourn until 12 o'clock noon on Monday next.

The motion was agreed to; and (at 3 o'clock and 29 minutes p. m.) the Senate adjourned until Monday, February 5, 1945, at 12 o'clock meridian.

CONFIRMATIONS

Executive nominations confirmed by the Senate February 1, 1945:

COAST AND GEODETIC SURVEY

Raymond M. Stone, to be junior hydrographic and geodetic engineer with rank of lieutenant (junior grade), from December 16, 1944.

IN THE NAVY

TO BE REAR ADMIRAL IN THE NAVY, FOR TEMPORARY SERVICE, TO RANK FROM APRIL 11, 1942

Vincent R. Murphy

TO BE ASSISTANT SURGEONS WITH THE RANK OF LIEUTENANT (JUNIOR GRADE), TO RANK FROM DATE INDICATED

George O. Jaquith, June 14, 1943.
Philip H. VonFraenkel, June 22, 1943.
Adrian R. M. Sears, July 10, 1943.

TO BE ASSISTANT PAYMASTERS, WITH THE RANK OF ENSIGN, TO RANK FROM DATE INDICATED

Evert R. Sharp, March 19, 1941.
David P. Andross, March 19, 1941.
John W. Simcock, June 19, 1941.
Edward D. Williams, September 24, 1941.
Daniel L. Martin, May 4, 1942.
William J. Whitehead, June 29, 1942.
Dan G. Frank, June 29, 1942.
Hubert P. Mills, June 29, 1942.
Charles D. Moody, July 23, 1942.
James M. McCracken, Jr., August 25, 1942.
John D. Miller, August 31, 1942.
Robert J. McDairmant, October 12, 1942.

TO BE PASSED ASSISTANT PAYMASTER, WITH THE RANK OF LIEUTENANT, TO RANK FROM JULY 1, 1940

Charles H. Kretz, Jr.

TO BE ASSISTANT PAYMASTERS, WITH THE RANK OF ENSIGN, TO RANK FROM DATE INDICATED

Charles M. Quinn, Jr., February 7, 1941.
Solon G. Hale, June 19, 1942.

TO BE ASSISTANT CIVIL ENGINEER, WITH THE RANK OF LIEUTENANT (JUNIOR GRADE), TO RANK FROM OCTOBER 1, 1944

James V. Bartlett.

TO BE ASSISTANT CIVIL ENGINEERS, WITH THE RANK OF ENSIGN, TO RANK FROM DATE INDICATED

Waldron M. McLellon, February 7, 1941.
Thomas P. Cocke, February 7, 1941.
Robert E. Thomas, Jr., February 7, 1941.

TO BE ASSISTANT DENTAL SURGEONS, WITH THE RANK OF LIEUTENANT (JUNIOR GRADE), TO RANK FROM DATE INDICATED

Wallace B. Chesterfield, March 31, 1941.
Edward J. Nemecek, February 1, 1942.
Milton Hausman, March 16, 1942.
Edwin A. Glasson, June 1, 1942.
Edwin J. Madden, June 8, 1942.
Earl V. Harrington, August 23, 1943.
William M. Marking, December 6, 1943.
Harold N. Klaser, December 20, 1943.
Frank W. Taylor, January 10, 1944.
Paul H. Wells, Jr., January 10, 1944.
Jack P. Flood, January 17, 1944.
Traver R. Hamilton, July 20, 1944.
James B. Lepley, February 2, 1944.
Ray E. Stevens, Jr., March 20, 1944.
John W. Hazlet, May 1, 1944.
Arthur B. Chevalier, May 15, 1944.
Arthur E. Gustavson, May 15, 1944.
Robert L. Holle, May 24, 1944.
Dennis H. R. Frutiger, June 1, 1944.
Wilbur O. Martin, August 6, 1944.
Don L. Maxfield, August 7, 1944.
Howard C. Hester, August 21, 1944.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE February 3, 1945

TO: Secretary Morgenthau

FROM: Ted R. Gamble

Re: Payment of A Bonds

War Finance Division people have only one thought regarding maturing A Bonds. This thought is that payment of these bonds as they mature would dispel some of the rumors that we've had to contend with that War Bonds would be frozen, or that some kind of a moratorium would be declared, or some mandatory exchange made in lieu of payment. If the decision were left entirely to us, then our recommendation would be to pay the bonds as they mature and encourage, wherever possible, that the funds be reinvested in War Bonds.

When you advised me of the alternative exchange plan to be offered with the announcement of payment, I felt that our point had been largely covered, particularly if the publicity stressed the payment and not the exchange. I still feel that way. So long as the matter has been re-opened and you want our unqualified recommendation, then it is to pay the bonds and make no formal exchange offer which permits holdings in excess of present limits.

February 3, 1945

Mr. Luxford.

Secretary Morgenthau.

If the War Bond people are going to help us with Bretton Woods, I suggest we start in Michigan and Ohio. We have a particularly good "non-bankerish" organization in Ohio, and that is the home of Senator Taft. I think it's a good place to start. Also, the Cincinnati newspaper -- I forget what it's called -- the big paper there has written me and invited me to come and talk in Cincinnati on the so-called "Morgenthau Plan". Anyway talk it over with Ted Gamble. I think the idea would be not to go over the whole country but pick certain key-states where we may expect congressional opposition. I don't know a better place to start than Ohio. Done

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date

February 3, 1945

TO Secretary Morgenthau

FROM Mr. O'Connell

Attached is a memorandum from the Commissioner of Internal Revenue recommending "Bill" Sherwood, Assistant Deputy Commissioner, for the position of Assistant Commissioner which Harold Graves left on December 15, 1944.

I believe that Mr. Nunan's recommendation is a good one, and hope you will see fit to approve it. If you do, I will turn the matter over to Mr. Gaston to handle in the usual way. Incidentally, Mr. Gaston has indicated that he has no reason to object to Mr. Sherwood's appointment and has no alternative to suggest.

Joseph J. O'Connell Jr

Approved:

February 1945.

TREASURY DEPARTMENT

WASHINGTON

OFFICE OF
COMMISSIONER OF INTERNAL REVENUE

ADDRESS REPLY TO
COMMISSIONER OF INTERNAL REVENUE
AND REFER TO

February 2, 1945

MEMORANDUM FOR THE SECRETARY:

Reference is made to the vacancy which has existed in the position of Assistant Commissioner since the resignation of Mr. Harold N. Graves on December 15, 1944.

To fill this vacancy, I desire to submit for your consideration the name of Mr. William T. Sherwood, Assistant Deputy Commissioner, Income Tax Unit.

Mr. Sherwood has been employed in the government service since December 10, 1903, and in the Bureau of Internal Revenue since February 16, 1920. He was appointed to the position of Assistant Deputy Commissioner, Income Tax Unit, on November 1, 1927, in which capacity he has shared the responsibility for the operation of the Income Tax Unit. Because of his experience Mr. Sherwood is well advised in income tax matters, and in the capacity of Assistant Commissioner he could render valuable services not only in connection with the administrative affairs of the Internal Revenue Service, but he would be of considerable aid in connection with the technical phases of the income tax laws.

Mr. Sherwood's record in the Bureau is outstanding, and his ability, integrity, and energy, as well as his unfailing loyalty in the execution of the Department's policies, can be vouched for. His appointment as Assistant Commissioner would add considerable strength to our administrative organization, and I desire to urge his appointment.

Commissioner.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Feb. 3, 1945

TO Secretary Morgenthau

FROM J. W. Pehle

You will be interested in the attached editorial, complimentary to the Treasury, which appeared in The Atlanta Journal, Monday, January 29, 1945.

JWPehle

Attachment

The Atlanta Journal MONDAY, JANUARY 29, 1945

Surplus War Goods

THE UNITED STATES Treasury's policy of disposing of surplus war goods gradually, as they are declared surplus, is an excellent one. In 1918 when the Armistice came the nation was surprised with vast quantities of surplus commodities on hand, but in this war the liquidation processes were working far in advance, and already more than $800,000,000 worth of surplus war property has been disposed of through regular trade channels.

This method serves two useful ends: First, it prevents the accumulation of an unwieldy backlog of goods, and, second, it provides a fairly continuous flow of much-needed consumers' goods into the curtailed civilian market during the time of war shortages. It also tends to reduce the trend toward black marketing in items no longer being manufactured for direct distribution into the civilian market.

A majority of the goods manufactured for the armed forces, including everything from nuts and screws to trucks and planes, can quickly be put to civilian uses. But other materials will require ingenuity, a trait typically American, to turn them to suitable civilian use when they are no longer needed by the Army. For example, there are approximately 1,000,000 component parts of dismantled ammunition crates of varying sizes now being offered for sale. These crates, made of pine, for shipment of 75 and 105 millimeter shells, are obsolete due to a change in the design of the shells.

The parts of the crates include troughs, of bottom and two angular sides, from 26 to 37 inches in length, and from 6½ to 10⅝ inches in width. All the parts are dressed, three-quarter inch material, and could easily be converted into a number of salable products, with no wastage.

Suggested possibilities of marketable items to be constructed from this material are feed troughs, flower boxes, framing for upholstered chairs, picket fencing, small stands and tables, tool boxes; and it also could be used by toy manufacturers. The importance of all this material being released now cannot be overestimated, for it comes at a time when dressed wood is one of the most difficult things to obtain on the civilian market.

Disposal of surplus war goods is handled through the Treasury's Office of Surplus Property. The office for this region is located at 105 Pryor Street, N. W. in Atlanta, and Harry Harman Jr. is regional director.

H. E. Harman, Jr.

42

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE
February 3, 1945

TO Secretary Morgenthau

FROM J. W. Pehle

PERSONAL AND CONFIDENTIAL

In accordance with our conversation, there is attached hereto a memorandum detailing the events leading up to the appointment of General O'Dwyer as Executive Director of the War Refugee Board.

J W Pehle

SEQUENCE OF EVENTS LEADING TO THE APPOINTMENT OF GENERAL O'DWYER AS EXECUTIVE DIRECTOR OF THE WAR REFUGEE BOARD:

On January 12 Luxford asked me what I thought about General O'Dwyer as my successor as Executive Director of the War Refugee Board. He said that he and Dubois had been talking about it and thought it was a good idea. I told Luxford that I too thought O'Dwyer would be a good man in the job if he could be obtained. On the same date a memorandum was sent to Secretary Morgenthau from Luxford and Dubois recommending that O'Dwyer be considered for the job and saying that the matter had been discussed with White and Pehle and it was agreed that O'Dwyer would be a "natural."

On the same day Secretary Morgenthau mentioned the matter to me on the telephone. It was agreed that I should get in touch with O'Dwyer immediately and sound him out, and that if O'Dwyer was interested, to arrange an appointment for him to see the Secretary. I tried to reach O'Dwyer at FEA but was unable to do so. I finally reached him the next morning in New York. I merely told him that I wanted to talk to him about some assistance that we needed on a War Refugee Board matter and he said he would be in town the following Tuesday or Wednesday and would call me.

O'Dwyer came to my office in the Treasury at 10:30 a.m. on January 17 and I discussed the matter with him. He said he would like to take on the job as Executive Director but there were two things standing in the way, i.e.:

(1) O'Dwyer said that Rosenman and Crowley were discussing with the President the question of whether O'Dwyer should be sent back to Italy for a few months but that it was agreed that he should not go back unless his status could be made parallel with that of British Minister McMillan. O'Dwyer said he thought a decision would be reached on this phase of the matter within a few days.

(2) O'Dwyer said the Army was considering appointing him Inspector General of Wright Field but that he did not think he would get the job because Inspector Generals are normally Regular Army men and not Reserve Officers.

O'Dwyer mentioned that he had to keep an "eye on Brooklyn" to "keep Dewey out," but he did not in any way suggest that he would reassume his job as District Attorney.

O'Dwyer said he would get in touch with me within a few days. I called him again on the telephone on January 25. O'Dwyer said that while nothing further had been heard on the Italian matter, the Wright Field job had gone so far that he thought he could not justifiably pull out of it. I told him I was sorry to hear this and he said he would let me know definitely within a few days. A few minutes later O'Dwyer called me back to say that on further consideration he felt that he would be willing to pull out of the Wright Field appointment in favor of going with the War Refugee Board. I immediately called the Secretary and advised him of my conversation with O'Dwyer and made arrangements for O'Dwyer to see the Secretary and me at 11:30 a.m. the same day.

O'Dwyer and I met in the Secretary's outer office. He had Colonel Ohrbach with him. O'Dwyer said he would like to have Ohrbach join him on the War Refugee Board. When O'Dwyer and I went into the Secretary's office Ohrbach came along. The matter was further discussed in the Secretary's office. O'Dwyer said he had reason to believe the Army would be willing to allow him to be assigned to this work and probably would allow him to "take off his uniform." While we were there the Secretary called McCloy and requested McCloy to make the necessary arrangements so that O'Dwyer could take on the job as Executive Director. McCloy said this would be agreeable to him, and he was sure with Secretary Stimson, but that he would have to clear the matter with Under Secretary Patterson, particularly the question of O'Dwyer's being allowed out of uniform.

Following the meeting in the Secretary's office Colonel Ohrbach called me to say that General O'Dwyer suggested that a letter be sent by the Secretary to McCloy and that the letter should request that O'Dwyer (and Ohrbach) be "inactivated to the War Refugee Board." Ohrbach requested specifically that this language be used. I prepared such a letter and it was given to the Secretary through Mrs. Klotz and signed and sent to McCloy on January 25. About the same time Ohrbach advised me that O'Dwyer had discussed the matter with Amberg in Patterson's office and that Amberg had discussed it with Patterson at lunch and that Patterson was agreeable to O'Dwyer's being put on inactive status.

At about 9:30 on Saturday morning, January 27, a memorandum was sent to Dubois and Pehle by the Secretary saying that the War Department was agreeable to O'Dwyer's appointment and that we would have to prepare the necessary papers. The papers were prepared, cleared with the Secretary, who suggested certain changes, and personally cleared by me with McCloy for Secretary Stimson, and with Grew as Acting Secretary of State. At the same time a press release was prepared stating that I had resigned and that O'Dwyer had been named to succeed me, and that O'Dwyer was "District Attorney for Kings County, New York, on leave," and was being placed on inactive status by the War Department to handle this job. This press release was not only cleared with Colonel Ohrbach, who came to my office in the Treasury to work it out, but was also cleared with O'Dwyer on the telephone.

Subsequent to O'Dwyer's appointment and the announcement of the appointment, O'Dwyer advised Miss Hodel on Monday afternoon, January 29, that he was running into a "little technical difficulty" in regard to going on inactive status for the Army since he was desirous of reassuming his position as District Attorney of Kings County on February 1. He stated that it might be necessary for him to resign from the Army in order to make it possible for him to resume his duties as District Attorney. From Miss Hodel's office, General O'Dwyer telephoned Oscar Bernstein, a New York lawyer. After this conversation,

he stated to Miss Hodel that he was all set to reassume his duties as District Attorney on February 1 provided that he receive no compensation for his work as Executive Director of the War Refugee Board and provided that he could sever his connections with the Army by January 31. The next day General O'Dwyer advised Miss Hodel that he had talked with McCloy concerning his resignation from the Army and that he was on that day attending to the details involved in such resignation. He stated that he would probably be obliged to sign certain waivers in order to make that action effective January 31. He again emphasized that it was important that he be in Brooklyn to reassume his duties as District Attorney on February 1. At lunch with the Secretary on Tuesday, January 30, the question of General O'Dwyer's status was raised and he at that time informed the Secretary of his plan to hold the two positions.

J.W. Pauley

CONFIDENTIAL

Report of the War Refugee Board
for the Week of January 29 to February 3, 1945

EXCHANGE OF LATIN-AMERICAN PASSPORT HOLDERS

A short while before the arrival of the individuals involved in the current exchange taking place in Switzerland, the Board received information that the group included a number of Jews from Bergen Belsen in possession of Latin-American documents. The number, originally reported at 50 to 75 and more recently indicated to be about 150, apparently includes 67 Dutch and German nationals. It is not clear whether all or a part of this group hold "ad hoc" documents which do not entitle them to admission to the countries in whose names the documents were issued. In accordance with the commitments undertaken by the Board with respect to the bearers of such documentation, arrangements have been made for representatives of a private organization to lend financial and technical assistance to provide for the maintenance and onward transportation of these passport holders, and military authorities and the United Nations Relief and Rehabilitation Administration have been appropriately informed. Advice of the arrival of the exchanges in Switzerland was received this week, and it is anticipated that the bearers of the documents in question will be taken from Marseilles to Philippeville pending arrangements for their ultimate disposition.

SITUATION IN GERMAN-CONTROLLED AREAS

Representative McClelland reported that, in connection with our request that the Swiss endeavor to make frequent or extended visits to localities where Jews are concentrated, the Swiss Foreign Office informed him that official Swiss representatives have thus far not been able to visit camps at Vienna or Theresienstadt. It was felt that the possibility of their being able to do so is doubtful unless it can be satisfactorily established that there are persons in the camps who are legally entitled to the protection of the Swiss, but they assured McClelland that they will make every attempt to visit these camps. The camps near Vienna were regarded by the Swiss as likely to offer the most favorable prospects, since there are numerous Swiss interests in the vicinity, and they will seek to take complete advantage of that fact for the purposes indicated.

During an interview along the same lines with the President of the International Committee of the Red Cross, McClelland was assured that Intercross expects to continue to do all in its power to aid in every possible way Jews and other surviving victims of Nazi persecution still in the hands of the Germans. To that end, Intercross is endeavoring to enlarge the number of its delegates in Germany. McClelland urged that this effort be continued on the premise that the more competent and energetic men there are present as internal confusion increases in Germany, the greater will be the chances of influencing German officials and possibly of dissuading them from carrying out extermination policies. In this connection, McClelland indicated that Intercross is expected to report shortly on the extent of the supervision which it has been able to exercise over Hungarian Jewish deportees working in territory of the Reich. This supervision was said to have been fairly satisfactory in Austria, especially in the last six weeks, but it was believed to be less extensive in Germany proper.

We were advised by our Legation in Dublin that the Irish Department of External Affairs has wired instructions to the Irish Charge d'Affaires in Berlin to make the representations which we requested with respect to the inmates of concentration, detention, and forced labor camps.

Our Embassy in Moscow cabled that the Board's message regarding possible further victims of Nazi persecution in the camps at Auschwitz and Birkenau was delivered to the Soviet Foreign Office and that our interest in the welfare of these people and in measures for their protection was expressed. The Embassy advised that no information with regard to the civilian populations of the areas covered by the recent advances of the Soviets has as yet been released.

From London we were informed that, on the basis of reports from sources said to be reliable indicating that Germany has started the annihilation of the remaining Jews interned in German-held areas, and in the belief that a strong attitude may achieve beneficial results, a private organization in London has urged the Czechoslovak Government to approach Germany through the protecting powers, the Holy See, and the International Red Cross. This information was set forth in a note from a representative of the Czechoslovak Government in which he expressed his Government's concern in this matter and suggested that since it is a matter of interest to many Allied governments, they might collectively make strong representations through the channels mentioned. He pointed out that the Czechoslovak Government has no official contact with the protecting powers and expressed the wish of his Government that the United States Government might consider taking steps to save the remainder of the interned and deported Allied citizens, adding that should this Government deem it advisable to undertake collective action, the Czechoslovak Government would willingly associate itself with such a procedure. It was indicated that similar notes were sent to the British and Soviet missions.

Representative Mann reported that the same private organization in London sent a message through the International Red Cross delegate there to the President of Intercross in Geneva, urging that the latter publicly demand for the remaining Jewish internees in German hands the guarantees of the Geneva Convention and the Tokyo Project and that a special Intercross mission be sent to make representations for this purpose to the highest German authorities.

Reports on Conditions in Concentration Camps

We learned from Representative McClelland that, according to postcards recently received in Switzerland, an unknown number of Jewish women formerly at Theresienstadt apparently are employed at the strenous task of clearing bombing debris in the city of Hamburg.

The exchangees who recently arrived in Switzerland from Bergen Belsen reported that early in January more than 25,000 Jewish deportees, men and women, from Auschwitz and nearby Upper Silesian camps arrived in Bergen Belsen, where they were "housed" under the most primitive conditions in tents. They apparently are to be transferred gradually to other parts of Germany as labor.

The exchangees further stated that, although parcels reaching the camp were properly delivered to them, the number of parcels was pitifully inadequate to the need. This was indicated to be due, according to all available information, to deterioration in land transport in Germany rather than to any withholding of parcels, which are generally distributed if they actually reach a camp. Representative McClelland reported that the exchangees were in a state of acute under-nourishment, as evidenced by the fact that three of them died during the short space of their stay in Switzerland. He stressed that there is every reason to believe that the extreme malnutrition from which the exchangees were suffering is far from confined to Bergen Belsen but is common to all German concentration camps and deportee work companies. He urged that the attention of competent military authorities and the United Nations Relief and Rehabilitation Administration be drawn again to the fact that tens of thousands of internees in similar or worse physical condition probably will be found as Germany is occupied by Allied forces.

RELIEF PARCELS

A cable was received from Representative McClelland advising us that the International Red Cross has now received definite confirmation that three freight cars carrying the first shipment of Board parcels sent via Gothenburg, which were previously reported held up at Warnemuende, near Luebeck, went forward to concentration camps early in January.

EVACUEES FROM BERGEN BELSEN

The Director General of the United Nations Relief and Rehabilitation Administration advised us by letter that instructions have been sent to the Chief of the UNRRA mission in Italy with respect to arrangements for the transportation and reception of the 1,672 evacuees from Bergen Belsen being removed from Switzerland to Philippeville.

REPORTS ON SITUATION IN RUMANIA

According to information sent by wire from Intercross delegates in Bucharest and relayed to us by Representative McClelland, the number of Jews now in Rumania is about 285,000. Of these, about 110,000 are in Bucharest, some 123,000 are in the former kingdom of Rumania (Walachia and Moldavia), and the remainder are in southern Transylvania and southern Bukovina. A recent Intercross Mission investigating the situation in northern Transylvania, where there were about 150 000 Jews at the time of the 1939 census, found only about 6,000, almost all of whom were escapees from Hungarian forced labor camps. Later reports indicate that the number may rise to 9,000.

Representative Katzki cabled us from Ankara that Jewish Agency representatives in Istanbul informed him that Dr. Ernst Marton received no reply to his memorandum to the Rumanian Government proposing that certain enemy nationals in Rumania be exchanged for deportees from Transylvania. He also reported that, according to a news item with a Bucharest date line, the Hungarian Government, responding to a proposal of the Rumanian Government that an Intercross commission be allowed to investigate the fate of Transylvanian deportees, denied the allegations upon which the proposal of the Rumanian Government was based.

LATIN-AMERICAN PASSPORTS

We received from our Embassy in Quito a telegram advising that the Ecuadoran Foreign Office has indicated its agreement to our request that its representative in Geneva be instructed by wire to advise the protective power of Ecuador that the validity of the passports held by 147 Bergen Belsen internees has been extended. The Foreign Office further stated that the bearers of the passports in question should be granted protection, provided this Government guarantees that the passports will be turned over to a designated Ecuadoran official immediately upon liberation of the bearers.

VISAS FOR PERSONS IN ENEMY TERRITORY

A communication from the Ecuadoran Foreign Office sent to us by our Embassy in Quito states that existing Ecuadoran legislation will not permit the Government of Ecuador to undertake measures similar to the special visa program developed by this Government for the benefit of certain categories of persons in enemy territory.

RELIEF CAMPS IN ITALY

A cable was sent to Ambassador Kirk in Rome last week requesting him to verify for us a news report that some 5,000 to 6,000 Yugoslavs, including approximately 1,000 Jews, have been returned to Yugoslavia from relief camps in Italy at the request of Marshal Tito. It was also reported that stateless persons and refugees from Germany, Poland, Czechoslovakia, and northern Italy will be placed in the camps vacated by the Yugoslavs, but that only a few stateless persons are being moved there from camps in central Italy at present and that maximum use of the camps probably will be made only after the liberation of northern Italy. The report received from Ambassador Kirk this week stated that actually some 3,500 Yugoslavs were repatriated from camps in Italy at Tito's request, but that it was not possible to ascertain the number of Jews involved. He was unable to find any basis for the report that stateless persons from outside Italy would be accommodated in these camps since authorities there have as yet formulated no such plan.

TERMINATION OF WAR REFUGEE BOARD OFFICE IN TURKEY

In an analysis of conditions affecting the possibilities for further Board operations in Turkey, Representative Katzki stated that future emigation which may take place from Rumania or Bulgaria will be of a normal type and not in the nature of rescue activities. He expressed the view that inadequate sources of information and communication channels render impossible the orderly organization or direction from Turkey of any rescue activities from enemy or enemy-occupied areas which might be undertaken through the Balkans. Under the circumstances, it appears that the maintenance of a War Refugee Board office in Turkey is no longer warranted, and Representative Katzki has accordingly been requested to return to Washington for consultation.

William O'Dwyer
Executive Director

LFG-1010

Brussels

Dated February 3, 1945

Rec'd 10:58 p.m.

Secretary of State,

Washington.

109, February 3, noon

Dr. A. Leon Kubowitzki, a Bengian national member of Executive Committee of the World Jewish Congress, who is here temporarily in connection with matters concerning displaced persons has requested permission to exchange telegrams and letters with the headquarters of the Congress at 1834 Broadway, New York City through The Embassy and Department's facilities. The Embassy would appreciate being informed of the Department's attitude in the matter.

The Doctor has also requested that his wife Marie 160 West 87 Street, New York City, be informed that ht is well and in this city.

STCOR.

SAWYER

WMB

(Note: The last paragraph of this message has been handled by the State Department).

URGENT

CABLE TO AMEMBASSY, QUITO, ECUADOR

Reference your 88 of January 30, you may give the requested assurance to Ecuadoran authorities.

11:00 a.m.
February 3, 1945

CORRECTION

ALH
No paraphrase necessary
(SECRET)

February 3, 1945

Cable from Marseille numbered 34, dated January 31, 9 p.m. page 1, line 2, delete "Plittend" insert "Plitt and" so as to read "From Hodgson for Plitt and War Refugee Board".

DIVISION OF CENTRAL SERVICES

JMB

CABLE TO AMERICAN EMBASSY, PARIS, FROM WAR REFUGEE BOARD

Please deliver following message to Noel Field, 24 Rue Laffitte, Paris 9e, from Dr. Charles R. Joy, Unitarian Service Committee:

QUOTE 6 DELIGHTED BY NEWS OF POSSIBLE UNITARIAN DELEGATION TO POLAND. PLEASE URGE IMMEDIATE DECISION AND DEPARTURE. CHECK CAREFULLY THE ANTECEDENTS OF HAUS AND LECHTMANN. NONCOMMUNISTS AND NONPOLITICIANS ARE ESSENTIAL. DO NOT INSIST UPON CONDITIONS BUT INSTRUCT DELEGATES THAT RELIEF MAY BE ADMINISTERED IN POLAND ONLY UNDER UNITARIAL DIRECTION WITHOUT ANY POLITICAL INTERFERENCE. CAN YOU JOIN MISSION YOURSELF? AMERICAN PARTICIPATION IS DESIRABLE NOW AND IS ABSOLUTELY NECESSARY EVENTUALLY CAN YOU ENLARGE THE MISSION WITH COMPETENT WORKERS TO ENTER CZECHOSLOVAKIA AND HUNGARY FROM THE EAST. SPEEDY ENTRY INTO THESE THREE COUNTRIES WILL ATTRACT MONEY AND TARDY ENTRY WILL DEFEAT OUR HOPE OF PROCURING MONEY. I AM SENDING IMMEDIATELY TO GENEVA 2000 DOLLARS FOR EXPLORATION. MORE FOR THE PURCHASE OF SUPPLIES AND THE ADMINISTRATION OF RELIEF IS IMMEDIATELY PROCURABLE AFTER THE MISSION HAS DEPARTED. WE EXPECT TO SEND MEDICAL SUPPLIES FROM AMERICA. PLEASE PUSH VIGOROUSLY THE IMPORTANCE AND URGENCY OF THIS ENTERPRISE. ESTABLISHMENT OF ADVISORY COMMITTEE FROM AMONG THE TOULOUSE SPANISH REFUGEES WILL BRING LARGE FUNDS FOR OUR USE. UNQUOTE

3:30 p.m.
February 3, 1945

CABLE TO AMERICAN LEGATION, LISBON, FROM WAR REFUGEE BOARD.

Please deliver following message to Louise Payson from Dr. Charles Joy of Unitarian Service Committee:

QUOTE 253 MEXICO CITY IMFORMS US FIFTY VISAS FOR BRYAN CASES NOW AVAILABLE IN LISBON. UNQUOTE

THIS IS WRB LISBON CABLE NO. 135.

3:30 p.m.
February 3, 1945

GEK-860

PLAIN

Lisbon

Dated February 3, 1945

Rec'd 2:49 p.m.

Secretary of State,

Washington.

244, Third

WHB 301 JDC 157.

FOR LEAVITT FROM HAROLD TROBE

Gottfarb advises "Most medicines suggested available here have applied for and will receive license transportations via Leningrad. Czech Legation suggests we send medicines liberated Czechoslovakia ex-Stockholm Stattin Czech Government. London will also grant money for special Jewish medical aid ex-Sweden if Joint appropriates money same medicines as to Poland or others could be sent. Can Joint grant $10,000 or preferably more this purpose?" Advised Schwartz.

NORWEB

RB

PEM
Distribution of true reading only by special arrangement. (SECRET W)

February 3, 1945

3 p.m.

ANLEGATION

STOCKHOLM
193

The following for Olsen from O'Dwyer is WRB 303.

Board has been advised that you are considering requesting to be relieved of your duties as Special Representative of the War Refugee Board in Stockholm.

Since it is felt that War Refugee Board work in Sweden has decreased considerably and should not require a great deal of your time and in view of your unusual background and familiarity with our work, Board would deeply appreciate your reconsidering such action and agreeing to stay on as its Special Representative for the coming months.

Foregoing has been discussed with Pehle and he is in full agreement.

GREW
(Acting)
(GHW)

WRB:MMV:MD
2/2/45

NOE

CABLE TO MINISTER JOHNSON AND OLSEN, STOCKHOLM, SWEDEN

Please deliver following message to Rabbi Wilhelm Wolbe, 11 Olefsgotten, Stockholm, from Vaad Hahatzala Emergency Committee:

QUOTE To decrease danger of persecution of refugee rabbinical scholars in Shanghai while in Shanghai and to improve their chances of being granted exit permits by Japanese authorities and eventual transit facilities via Russia, please intercede with Swedish government to grant them Swedish passports along the lines of the generous policy adopted by Sweden in connection with Jews in Budapest. By doing this, Swedish government will help preserve lives of principal survivors of great religious tradition of Judaism. UNQUOTE

To Minister Johnson and Olsen from Department and WRB:

Above matter refers to Department's 100 of January 18 and Legation's 128 of January 11.

It appears that Vaad Hahatzala contemplates evacuation of rabbinical group from Shanghai by one of the following methods:

First--exchange against suitable contingent of Japanese civilians in a Western Hemisphere country other than the United States; or Second--overland evacuation via USSR to neutral territory, pending arrangements for permanent destination, without quid pro quo for Japan. The two methods should be kept entirely separate.

First method involves negotiations via Vatican and complicated shipping and technical arrangements. Regarding second method, according to the Vatican, there is no indication of Japanese consent to unilateral removal. In addition, there is serious doubt whether transit via Russia is feasible, since Soviet authorities will probably regard persons concerned as Russian or Polish citizens. In the circumstances, Rabbis are anxious to safeguard position of Shanghai rabbinical shcolars by Swedish passports which might protect them either on the spot or in transit. If you deem it advisable, you may lend your support to Wolbe in connection with the above message.

THIS IS WRB CABLE STOCKHOLM NO 305.

11:00 a.m.
February 3, 1945

CABLE TO AMERICAN LEGATION, STOCKHOLM, FOR OLSEN, FROM WAR REFUGEE BOARD

Please deliver following message to Mrs. Elise Ottesen-Jensen, John Eriksonsg 6, Stockholm, from Sheba Strunsky of International Rescue and Relief Committee:

QUOTE STILL AWAITING REPORT FROM YOU. CONTACT MR. VYTAUTAS GYLYS VALHALLAVAGER 155 STOCKHOLM FOR NUMBER LITRUANIAN REFUGEES IN SWEDEN, NUMBER OF STUDENTS AND NEEDS OF ALL. CABLE REPLY. UNQUOTE

THIS IS WRB STOCKHOLM CABLE NO. 308

4:00 p.m.
February 3, 1945

CABLE TO AMLEGATION, BERN, SWITZERLAND, FOR MCCLELLAND

Please deliver following message to Gerhard Reigner, 37 Quai Wilson, Geneva, Switzerland from Arieh Tartakower, World Jewish Congress.

QUOTE Number 304 negotiated proper authorities concerning allocation Redcross funds for distribution Jews internment camps after liberation such camps stop No such plan known here besides more information needed what camps we have in mind stop Please send more information this subject stop War Refugee Board allowed us send you all names known to us Jews interned in order that same may profit War Refugee Board parcel scheme stop Will compile list near future stop Cabled also Kubewitzki London and Hollander Stockholm send you such lists which you transmit McClelland stop In meantime transmit all names you have to him. UNQUOTE

THIS IS WRB BERN CABLE NO. 390.

11:00 a.m.
February 3, 1945

CABLE TO HUDDLE AND MCCLELLAND, BERN, FROM DEPARTMENT AND WAR REFUGEE BOARD

Reference your No. 661 of January 30, 1945. Board is discussing with American Jewish Joint Distribution Committee problem of maintenance of Fuldauer children in Switzerland. Appropriate instructions will follow.

THIS IS WRBE BERN CABLE NO. 391.

4:00 p.m.
February 3, 1945

ASB
Distribution of true
reading only by special
arrangement (SECRET W)

February 3, 1945

Midnight

AMLEGATION

BERN

577

THE following for McClelland is WRB 391.

Reference your No. 661 of January 30,1945.

Board is discussing with American Jewish Joint Distribution Committee problem of maintenance of Fuldauer children in Switzerland. Appropriate instructions will follow.

GREW
(ACTING)
(GHW)

WRB:MMV:BM
2/3/45

WE

SWP

MH-784
Distribution of true reading only by special arrangement (SECRET W)

Bern

Dated February 3, 1945

Rec'd 12:16 p.m.

Secretary of State,

Washington.

768, February 3, 10 a.m.

FOR WRB FROM MCCLELLAND

Kindly deliver following from Sternbuch to Union of Orthodox Rabbis:

Despite intensive intercession on part of Polish Government it has only been possible to plan for the exchange of small number of Orthodox Rabbis via the USSR. This exchange list can no (repeat no) longer be changed since the names have been confirmed through the protecting power. The Japanese refused to supply ship for the exchange. Exchange can therefore only take place if the Allies can make available neutral ship.

HUDDLE

BB

CABLE TO STEINHARDT, ANKARA, FOR KATZKI FROM WAR REFUGEE BOARD

Reference your No. 152 of January 30, 1945. In view of your analysis of the situation with respect to the rescue of refugees from enemy or enemy-occupied territory from Turkey, you are requested to close the office of the War Refugee Board in Turkey and to return to the United States immediately for consultation. Andrews concurs.

The files should be sent by pouch to us. We have cleared with State Department here for the Embassy abroad to take over all office equipment as inventoried in your letter of October 2, 1944. Also include the two portable typewriters of our secretaries. The Embassy will use or store equipment until further instructed regarding final disposition. See Department's A515 of November 6.

The Embassy is authorized to arrange your return trip payable from confidential funds at your disposal.

All unused War Refugee Board funds are to remain in custody of Kelly until further notice. Notify us of approximate amount and postpone detailed accounting of all funds until your return.

We agree with your recommendation concerning Mrs. Henderson.

Please cable Board date of departure.

THIS IS WRB ANKARA CABLE NO. 141.

3:00 p.m.
February 3, 1945

DEPARTMENT OF STATE

OUTGOING TELEGRAM

DEPARTMENT OF STATE
DIVISION OF

DIVISION OF COMMUNICATIONS AND RECORDS

DSH
This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (SECRET-O)

February 3, 1945
4 p.m.

45 FEB 5 PM 2 17
COMMUNICATIONS AND RECORDS
(LIAISON)

AMEMBASSY,

CHUNGKING, CHINA.

183

FOR ADLER FROM THE SECRETARY OF THE TREASURY

1. Dr. Kung has informed me that U.S. Army obligations incurred in China during the last three months of 1944 totalled CN$8.8 billion and has requested initiation of negotiations for settlement of this amount. Please consult immediately with General Wedemeyer on accuracy of these figures and inform me of any comments which he may wish to make on them or other related matters.

2. If available, also cable immediately Army estimates of U.S. dollar value of actual goods and services received during this period, together with your comments thereon; if not available, please advise whether General Wedemeyer and yourself feel that settlement for this period should be held up until these figures are obtained.

3. You are, of course, to keep Ambassador Hurley fully informed of all details of these negotiations.

GREW
(Acting).
(GL)

FMA:PMcG:EC CA

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

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London

TO: Secretary of State, Washington

DATED: February 3, 1945

NUMBER: 1204

SECRET

No. 9.

The following is strictly confidential for those concerned with reparation and economic policy towards Germany.

In a further personal conversation with Penrose, Dupriez, economist of the National Bank of Belgium, amplified the views described in Embassy's cable of January 26, No. 916, as follows:

One. He said that before the war the people of western Germany were conscious of and resented the extent to which income earned in their region was drawn off to the advantage of the Junker class in Prussia and Berlin. He added that we ought to aim at creating conditions in which this tendency will be stopped for reasons described in section 2 of Embassy's cable of January 26, No. 916. Though the Junker class will be liquidated, however, this objective will not be realized if measures are adopted that penalize or weaken western Germany more than the rest of the country. A push from the west, in such a case, will be substituted for the former pull from the east and there will be a continued drain in the wrong direction. The complete separation or annexation of western Germany would

not be

not be a remedy as its population would remain overwhelmingly German an irredentist movement would arise which would tend, among other effects, to cause a net outward movement of capital from the separated area unless drastic regimentation of financial transactions were adopted which would have on economic activity a restrictive effect.

Two. The Belgians, in his opinion, will not wish to acquire any German territory and will not favor the splitting up of Germany. However, he thinks that some decentralization of powers in Germany can be imposed without creating antagonism which would revive aggression in the future. He believes that in western Germany decentralization giving regional powers that would prevent Berlin from drawing unduly on the financial resources of western Germany would be popular.

WINANT

DC/L:VAG:MEM
2-5-45

28

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London

TO: Secretary of State, Washington

DATED: February 3, 1945

NUMBER: 1203

SECRET

Confidence that provisional measures for economic unity between Holland and Belgium will become permanent was expressed by Dupriez (economist of the National Bank of Belgium) in a personal talk with Penrose. This talk was principally on German questions. Dupriez concurs that a common central bank policy will be required by customs union. So far the machinery has not been worked out for this, but Dupriez anticipates that a joint committee of the central banks will be the form used. Dupriez concurs that adjustment will be required for differences between wages in Holland and wages in parts of Belgium but hopes that Belgian wages can be increased to the extent necessary in post-war conditions. Since prices will have to be uniform (aside from transportation charges over Holland and Belgium). Dupriez said the customs union will eliminate friction caused by the pre-war dumping of certain Dutch Agricultural products into Belgium.

In addition, he stated that in his opinion bringing France into these arrangements was out of the question because of the diversified economic conditions. For political reasons, it is inevitable that French, Belgian and Dutch representatives will discuss a customs union between their countries, since there has been so much vague and general discussion of this subject; however, nothing will come of such talks, in Dupriez' opinion.

WINANT

DC/L:GPW:mlm

2-5-45

NOT TO BE RETRANSMITTED

SECRET COPY NO. 4

OPTEL NO. 39

Information received up to 10 a.m. 3rd Feb. 1945.

MILITARY

1. Western Front

Southern Sector: Northern part Colmar pocket now substantially cleared of enemy. French forces have reached Rhine at several points and entered suburbs of city while to East U.S. troops within two miles Rhine at Breisach. Seventh U.S. Army re-established bridgehead across Moder five miles SE Haguenau against light resistance.

Central Sector: Third and First U.S. Armies made further advances often in deep snow but against moderate resistance, along whole front from point seven miles South St. Vith to Monschau. Outskirts of Siegfried defences reached at several points.

2. Eastern Front

East Prussian Sector: Further gains SE Konigsberg and Guttstadt (N.W. Allenstein) captured.

Central Sector: Advance continues N.W. Landsberg where Soldin captured and East Frankfurt where Drossen taken. S.E. Zullichau River Oder reached on front of ten miles. Battles for reduction Schneidemuehl and Posen continue.

AIR

3. Western Front

Night 1st/2nd. Bomber Command despatched aircraft 1267 (missing 12):- Ludwigshafen 396 (1656 tons), Mainz 340 (1010 tons), Siegen 282 (1239 tons), Berlin 121 (128 tons), and Bomber support 128.

2nd. Medium Bombers 414 attacked communication and other targets Western Germany (653 tons), while Tactical Bombers 56 attacked Heiden oil mill. Fighters and Fighter Bombers 1700 (missing 35) carried out offensive operations destroying or damaging 1300 railway wagons, MT and locomotives while enemy aircraft casualties 3:0:2, and 11 destroyed on ground.

4. Mediterranean Front

1st. U.S. Heavy Bombers 283 (missing 4) dropped 573 tons oil refinery Moosbierbaum (near Vienna) railway centre Graz and other targets.

HOME SECURITY (to 7 A.M. 3rd)

5. Rockets.

Six incidents reported.

NOT TO BE RE-TRANSMITTED

COPY NO. 4

SECRET

OPTEL No. 40

Information received up to 10 a.m., 4th February, 1945.

NAVAL

1. MEDITERRANEAN. 31st. One of H.M. Destroyers shelled Pincopi, N.W. Rhodes.

2. EAST INDIES. One of H.M. Submarines sank 500 ton tanker and 6 junks Straits of Malacca, another Submarine sank 10 junks and another damaged and drove ashore 500 ton coaster off Port Blair (Andamans).

3. ANTI-SUBMARINE OPERATIONS. Yesterday 10th Escort Group possibly sank U-boat 50 miles north Shetlands.

MILITARY

4. WESTERN FRONT. Southern Sector: South of Colmar pocket French troops reached Ensisheim while to north U.S. troops cleared town itself except for two strong points. Allied troops now hold West bank of River Rhine for 35 miles south of Strasbourg, while north of town heavy fighting continues around Bischweiler. Central Sector: 3rd U.S. Army made slight progress towards Siegfried defence against increasing resistance, while east of Monschau 1st U.S. Army advanced 3 miles towards Schleiden.

5. EASTERN FRONT. East Prussian Sector: Circle around Konigsberg still further reduced by capture number of places south and S.W. of City. Central Sector: Schloppe and Freudenfier (West and N.W. of Schneidemuehl) captured, while N.E. and East of Frankfurt towns of Vietz, Sonnenburg, Zielenzig, Reppen and Sternberg taken. Southern Sector: East of Szekesfehervar Russians advanced 12 miles capturing 60 places. Germans report further attacks Latvia while in the south they claim that front in South Pomerania is holding and also heavy losses inflicted on Russians 10 miles east Frankfurt. They also state between Oder Bend N.W. of Glogau and Carpathians all Russian attacks failed in face strengthened resistance.

6. BURMA. Coastal Sector: Fighting area N.E. Myebon continues and 1080 enemy dead counted and 20 guns captured. We have occupied Minbya. Central Sector: On road Pauk-Pakokku our troops now 18 miles west latter town.

AIR

7. WESTERN FRONT. Night 2nd/3rd. Bomber Command despatched 1236 aircraft (30 missing, 4 crashed): Wiesbaden 498 (2028 tons) Karlsruhe 261 (1097 tons) Wanne-Eickel 322 (872 tons), Mannheim and Magdeburg 63 Mosquitoes, bomber support 92.

3rd. 937 Fortresses attacked Tempelhof Railway Centre Berlin (2026 tons), while 362 Liberators bombed synthetic oil plant (240 tons) and Goods Yard (512 tons) Magdeburg for loss of 38 heavy bombers outstanding. Visibility fair to bad but occasional breaks enabled aircraft to bomb visually. Escorting fighters (16 outstanding) scored 21,1,7 in combat and 17,0,12 on ground. 35 Lancasters attacked midget U-boat and E-boat pens Ijmuiden and Poortershaven (South Hague) with 12,000 lb. D.P. but results not yet assessed owing delayed fusings of bombs. 171 U.S. medium bombers dropped 275 tons communication and other targets Central Sector, while 66 Mitchells and Bostons attacked bridges in Holland and enemy billets Dunkirk. Fighter bombers and fighters (6 missing) operated over Northern Sector and attacks included rocket sites S.E. Deventer and Nijverdal. 479 aircraft (3 missing) operated remainder front. Throughout day 300 M.T., 400 railway trucks and 70 locomotives damaged or destroyed and no enemy aircraft sighted in air. 58 Spitfires successfully attacked 4 rocket sites Hague area in excellent weather conditions.

8. MEDITERRANEAN. 2nd. 169 Mitchells successfully attacked 9 railway bridges Northern Italy. 111 fighters (7 missing) attacked Karlovac airfield and other targets Yugoslavia inflicting casualties 8,0,2.

9. MALAYA AND BURMA. 1st 89 Super Fortresses (1 missing) dropped 179 tons Singapore docks and 47 tons targets Georgetown (Penang) and Martaban with good results. Enemy casualties 2,6,8.

10. Three rocket incidents reported.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking

TO: Secretary of State, Washington

DATED: February 4, 1945 (Rec'd 11:02 a.m., 6th)

NUMBER: 166

CONFIDENTIAL

Reference is made herewith to Department's cable of January 4, no. 19.

Although thinking that United States Government agencies should avoid competitive purchasing among themselves and between them and the United States Army, Adler fully agrees with the views of the Department as considerations of economy, smallness of amounts involved and present status of negotiations with regard to reverse Lend-Lease all reinforce the desirability of continuing present practice of financing agencies' requirements by selling in the open market United States currency.

HURLEY

DC/L:VAG 2/13/45

NSC-113

PLAIN

Marseille

Dated February 4, 1945

Rec'd 7:24 p.m.

Secretary of State,

Washington.

URGENT

52, Fourth

FROM LAFOON

There will be between 150 and 160 persons for Philippeville. It is assumed that the appropriate authorities are informed and will be in condition to take care of this group upon arrival.

L'HEUREUX

DU

February 5, 1945
9:30 a.m.

GROUP

Present: Mr. D. W. Bell
Mr. Gaston
Mr. White
Mr. Haas
Mr. O'Connell
Mr. Blough
Mr. Pehle
Mr. Luxford
Mr. DuBois
Mr. McDonald

H.M.JR: Charlie is not well?

MR. McDONALD: He is here, sir, but he is going out.

H.M.JR: Mr. Gaston?

MR. GASTON: I have nothing.

H.M.JR: I read a little of that fellow's book, and what I read I liked.

MR. GASTON: Did you? He is a very ready writer.

H.M.JR: If we take him on, how do we pay him, and how much? I haven't tried to figure that out at all. Will you take it up with the administrative office?

MR. GASTON: Yes, yes.

H.M.JR: Has anybody read his book over the week end?

MR. BELL: What is that?

H.M.JR: What is the man's name?

MR. GASTON: David Loth.

H.M.JR: Do you fellows read his books?

MR. WHITE: No.

MR. LUXFORD: No.

MR. DuBOIS: No. The recommendations of Herbert Gaston and Eddie Bernstein are enough for me

H.M.JR: Eddie who?

MR. DuBOIS: Bernstein.

MR. WHITE: Does he know him?

MR. DuBOIS: Yes, very well.

MR. WHITE: You weren't impressed with his books?

H.M.JR: I was impressed.

MR. LUXFORD: You have his recommendation, too, then.

H.M.JR: All right. You see what they are doing, Herbert?

MR. GASTON: I can't quite understand it, no. I am a little slow and dumb.

MR. BELL: Monday morning is a little slow.

H.M.JR: It doesn't work out. (Laughter)

All right, what else?

We have come to this thing--and I think we will do this last--this question of discussing the ABA report. Let's go around the room; otherwise we won't get anywhere this morning.

MR. O'CONNELL: Last week a letter was prepared for your signature to the Attorney General, the purport of which was to ask the Attorney General whether they should go ahead and try the Chase National case in New York. This has nothing to do with the ABA report on Bretton Woods, but the letter was prepared, and Dan asked me to bring it up at this meeting this morning.

H.M.JR: Yes. Well, I signed a letter, but I didn't see Bell's initials on it.

MR. O'CONNELL: You didn't sign this--

H.M.JR: I sent it to him, and--

MR. O'CONNELL: I knew you sent it to Dan, and Dan felt he ought to take it up in this meeting. I don't think he thinks it should go out. We think pretty strongly it should. The case was ready for trial last summer--last August when the other defendants pled guilty. It was adjourned once, I think, at the request of the defendant, and the Chase Bank, but several times later it has been put off more or less on the motion--

H.M.JR: Stop arguing. I gave Mr. Bell his half day in court, but unless he has some reason, I don't ask him to initial it. I want the letter to go.

MR. BELL: That is all right. I don't know enough about the case--what was behind it. I think that it was a minor infraction and that it is wrong to push it if the Foreign Funds and General Counsel feel strongly about it. I don't feel that I am a very--

H.M.JR: We will do it over the heads of Foreign Funds.

MR. BELL: I don't think that--

H.M.JR: Will you tell White to wake up?

MR. WHITE: What?

H.M.JR: I said we would send this letter to the Attorney General in spite of Foreign Funds.

MR. BELL: I think they would like to have you send it. I wanted Joe to look into it and satisfy himself. Harry said he didn't know whether it was an important case or not.

MR. O'CONNELL: This case may never be tried.

MR. BELL: I wouldn't send it in these times.

MR. O'CONNELL: Before the indictment was handed down the Attorney General was interested in it. We have got a good case, and the least we can do is say, "Why isn't this case being tried?" It may never be tried, mind you; it still may not be tried. Maybe the U. S. Attorney will continue to feather-bed the case; and if he does, there isn't a great deal we can do about it, but at least we can say to the Attorney General, "How about it?" Trying it gives more substance to what Aldrich said at the time the indictment was handed down, and you may remember we had the official recommendation from Aldrich and the report was sent to the Attorney General as well as the Secretary.

(Secretary signs letter to the Attorney General, dated February 5, 1945.)

MR. BELL: I have no objection to it at all, no, sir. John followed the case rather closely.

MR. PEHLE: I don't think it is a minor violation at all; it was done by the higher employees, not by the minor employees.

MR. O'CONNELL: I have a recommendation from the Commissioner of Internal Revenue for the appointment of Bill Sherwood, about whom I spoke to you the other day, as Assistant Commissioner. I think it is a good suggestion. Herbert has no objection to it. Every word that I have had about the man is the very best. He is an old

Bureau man, but I have no suggestions for anyone from outside.

H.M.JR: When Herbert said he had no objection, he meant also--

MR. GASTON: I don't know Sherwood very well, but they tell me he is technically well qualified. I know he gets along very nicely with Nunan and he likes him very well. I don't see why he shouldn't be a valuable man. The only question in my mind would be whether you have an adequate substitute for Sherwood in his present job.

MR. BLOUGH: Sherwood probably wouldn't stay in that present job too long, anyway. He is getting a bit old and tired. He was sort of broken down during the days when the Bureau was under reconstruction. If he can really give himself to this job--I think he is a very good man, a very able man, and he works very cooperatively. We have had only good contacts with him so far as our office is concerned. He is a tax man.

MR. BELL: He probably has in mind this would be his last Government job.

MR. O'CONNELL: They had a little difficulty in persuading him that he ought to try it. He does have one thing none of his top people have had for a long time. He is a tax man, technically a good income tax man, and before when we had Harold Graves you had a Commissioner and two Assistant Commissioners who were so-called administrative men with no knowledge of taxes, and that was a little top heavy on that side.

H.M.JR: Well, it is. I am going to see him at three-thirty and have a talk with him. See? The trouble is, they haven't been able to develop anybody else for me to recommend. That is the trouble.

MR. O'CONNELL: I don't know as that is true--they haven't anyone else--he is the best.

H.M.JR: Let me put it the other way around. You haven't recommended anybody else, nor has anybody else. Harold Graves said he was the best man. In fact, he says he is the only man--

MR. GASTON: Over there?

H.M.JR: Yes.

MR. O'CONNELL: I think he is all right in spite of that. (Laughter)

MR. BELL: How about Cann, is he out?

MR. O'CONNELL: No, that wouldn't make much sense.

MR. BLOUGH: Cann has a very important job where he is now, and it seems there is no reason to move him.

MR. BELL: He would rather stay there, anyway.

MR. O'CONNELL: He has never indicated it to me, but the Commissioner said Norman isn't interested in the job. There are a number of reasons why. Assuming he is the best man available to that job of Assistant Commissioner, you have still got a problem, the problem of filling the job which is probably in many respects as important as Assistant Commissioner.

H.M.JR: Aren't there two Assistant Commissioners?

MR. O'CONNELL: The other is George Schoeneman, and he is an administrative man. The other should be a tax man. When Harold Graves was there it was necessary to have the Assistant Commissioner rely on the tax people for all tax questions, because they didn't know anything about them, and that was not good.

That is all I have, sir.

MR. BLOUGH: The Joint Committee meets again tomorrow morning, and we are for the first time bringing in some

of the suggestions which were presented during the course of the summer and fall, not as suggestions from us, but as suggestions that were brought in. I think that this will open up the debate on taxes now for the first time in the Committee, and I am going to be very curious to see how they react to these suggestions that were brought in. I think this is the sort of opportunity to examine their state of mind without having made any recommendations. I would like very much, if possible, to have a few minutes with you this week on the tax problem and where we ought to be going from here.

H.M.JR: When is this meeting tomorrow?

MR. BLOUGH: The meeting tomorrow is at ten.

H.M.JR: Do you want it before that?

MR. BLOUGH: I don't think so.

H.M.JR: How long will that meeting last?

MR. BLOUGH: Two hours, from ten to twelve.

H.M.JR: Will three o'clock tomorrow suit you?

MR. BLOUGH: Yes. I think you will find it is all right. We have been pretty careful about it. It is just a reporting job.

H.M.JR: Do you want to be here when Roy comes?

MR. O'CONNELL: Yes.

H.M.JR: What else, Roy? I am putting you down for an hour.

MR. BLOUGH: That is all.

H.M.JR: George?

MR. HAAS: You will notice that the two and one-half percent area in the bond market has gone up rather sharply.

It will probably be impractical to use the two and a half's in the next drive. If the market stays that way, the area there will be flat, and how far you can extend the two and a half's--there is nothing to be gained by the Treasury by putting one out under those conditions.

H.M.JR: I have a suggestion to make which may be cockeyed, but let's explore it. With this stuff going the way it is, what is the possibility of letting some of this stuff run off that is going to mature in February; for example, the seven-eighths, you see--pay them off?

MR. BELL: March 1. We have a ninety-day note maturing March 1 which is the same thing as a one-year certificate.

H.M.JR: How much?

MR. BELL: Two billion, one, I think.

H.M.JR: What is the possibility of getting out a piece of paper that would be good for the banks? I was thinking of a one and three-quarters percent bond.

MR. HAAS: Oh, we think that is too high a rate.

H.M.JR: Whatever the rate is--I mean, do some bank financing now.

MR. HAAS: Most of the people, Mr. Secretary, think that in view of the bank earning situation seven-eighths or bills are what they should have, and that would be just turning those things over.

H.M.JR: I know. Just think about it a little.

MR. HAAS: Yes.

H.M.JR: I mean, getting that thing behind us before we go into the drive, and then just maybe for the banks and insurance companies, or open to anybody if they want it. Get that behind us now, and then just concentrate on

individuals when we go into the Seventh War Loan.

MR. HASS: We will explore that.

MR. BELL: Not corporations?

H.M.JR: Anybody. Open it up.

MR. BELL: You mean open to the public?

H.M.JR: Have a public offering, and let anybody have it who wants it; get that behind us and concentrate in the Seventh War Loan just on individuals.

MR. BELL: We contemplate a month's concentration on individuals, from the 14th to June 16, and having corporations from the 18th to the 23rd, which would be the week following.

H.M.JR: Gamble has talked about three months.

MR. BELL: Yes, if you want to make the seven billion. Gamble wants to begin the 1st of April. Of course, he makes five or six hundred million right there by taking in the month of April, so his goal is really six, four, or five.

H.M.JR: Concentrating on individuals ought to be very helpful on inflation if on the 1st of April they talk about savings and this tremendous amount of publicity goes out.

MR. HAAS: I think we ought to explore all the angles. I wish you would give us an out. He has got one.

H.M.JR: I will give it to anybody who asks for it if he asks for it in time.

MR. HAAS: There is no particular hurry about it .

MR. BELL: We were going to see you today on savings bonds.

H.M.JR: I hope you are going to do that right after this meeting.

MR. HAAS: There is only one other thing.

H.M.JR: I was just thinking we ought to get corporations, banks, and big boys out of the way, and then start the 1st of April to concentrate on individuals from then until the 1st of July; have the country flooded with this publicity and concentrate on them.

MR. BELL: The trouble is, if you take a big amount from your corporations, it kind of overshadows your individual drive and--

H.M.JR: You would have an offering around the 1st of March. Have it open for three days and then you would be finished and nobody would pay any attention to it.

MR. BELL: If you make it small enough, I don't think it affects the individual drive. If you make it seven or eight billion dollars, I think it has an effect on the individual drive.

H.M.JR: I don't think we ought to have such big balances.

MR. BELL: If you want drives more often, that is the way to get the current money, have individual drives more often. But your field forces are tired after they go through a drive, and they want to rest.

H.M.JR: If they had a drive for individuals for April and May, you are through in June.

MR. BELL: And then have another in September, October, and November.

H.M.JR: Yes.

MR. BELL: You are really hitting the current income then as it comes along, and you are giving the people three

months--you are giving them six pay days in most cases to buy bonds. Over six pay days they can buy an extra bond besides their payroll deduction.

H.M.JR: I don't want to do it with the banks, but the thought that is running through my mind is, if we need money, get the big money out of the way before the drive, and then concentrate on the drive.

MR. HAAS: I think the determining factor there is more risky than the other way. You have the Reserve thing that is held down rather tight now, and there is considerably more risk.

H.M.JR: Well, think about it. Suppose we were going to do it. Talk to your boys about it. Say, "Mr. Morgenthau is interested in the possibility of doing the corporations and banks before. How is the cheapest way to do it?"

MR. HAAS: Yes. We will go through the whole business.

H.M.JR: I don't know, whichever way is the cheapest way to do it around the first of March. Get it out of the way. If we need any money--

MR. BELL: We won't need any money in March, but we will need it, certainly, by the end of May.

H.M.JR: I don't understand it. Have a look at it.

MR. HAAS: Yes, we will have a look at it.

H.M.JR: And, George, Bell told me about the meeting. I asked Mr. Bell to talk to Krug and get a fresh picture on what is going to happen on production when the war is over in Germany. I would like to follow that at least once a month. If what Krug says turns out to be a fact, that will make a fundamental change in the whole business.

MR. BLOUGH: I picked up my ears at that.

MR. HAAS: What he said was the fact that the Germans have acquired so much time before they collapsed. He said

if Germany collapsed today, because of the advanced phase that the Japanese war is now in, that expenditures for the calendar year 1945 would be at the present current level. He said if Germany continues in the war, it will mean that. Is this right, Dan?

MR. BELL: If they continue five or six months.

MR. HAAS: If they continue in the war, then expenditures have to go up, and when Germany goes out, he says that probably they would be running around, according to what they calculate on their price index, say, from five billion a month, and would get up to six or a little over. That would be as high as it would get, probably, depending on manpower arrangements, and so forth. It may be six billion a month on the basis of their calculations, and when Germany goes out, it would drop back to current levels to continue the Japanese war, and if the Japanses war is still on in 1946, it would continue at that level. That is a very fundamental change.

H.M.JR: You ought to be over there once a month, George.

MR. HAAS: I made arrangements to be over there once a week, but they don't know anything. They are just guessing.

MR. BELL: They are waiting on a program from the Army.

MR. WHITE: It sounds like a horse laugh to me. I am skeptical.

MR. BLOUGH: So am I.

H.M.JR: At least, those are the fellows doing the planning.

MR. WHITE: And you have to go away, they say.

H.M.JR: You have to find out what is in their mind, and here we are, sitting here; one minute they say they are going to cut war production forty percent, and

then they say it is going to hold at the present level. I read the stuff in the Wall Street Journal, and I think we might as well get it straight, what these fellows are thinking.

MR. BELL: Production levels run five and one-half billion, and if the war had ended last fall as everybody expected, you would have seen it drop from that level to something below five. Now the Jap war has increased in intensity and made it more necessary, if the German war goes on, to increase that production over six billion dollars; and if the German war goes on, it will have to stay up above six billion. If the German war ends, it will drop back to between five and five and a half, the present level. There is another important thing in this picture, and that has been announced in the papers, that the European equipment is not going to be taken to the Orient. They are going to take absolutely new equipment. Krug told us that. Again, that means a double expenditure. That was in the paper Thursday or Friday.

MR. BLOUGH: That, I think, is the real thing that will keep up the expenditures.

MR. BELL: It seems to me to be a waste of money.

MR. O'CONNELL: Couldn't they use some of the equipment that would be left over?

MR. PEHLE: A lot of it is obsolete.

MR. BELL: Certainly they could move some of it.

MR. HAAS: It is probably difficult to load.

H.M.JR: I think it is smart.

MR. PEHLE: I think so, too. They will finish the war much faster if they take over new equipment from here and not try to rehabilitate.

H.M.JR: They probably need different kinds of equipment.

MR. BELL: They will need trucks and bulldozers which they already have.

MR. WHITE: They might take the artillery.

H.M.JR: Anything else?

MR. HAAS: That is all.

H.M.JR: How are the two Herbert's getting along on the hearing?

MR. PEHLE: One Herbert is coming all right, but the other is getting smeared a little.

MR. GASTON: I am afraid my old pal has kind of--

MR. PEHLE: They are trying to protect Mr. Swope, but nevertheless, the press is more and more--

MR. GASTON: They are trying to protect Jesse, too, aren't they? He is Chairman of the Board of Defense Plants, and the testimony up there was that the minor officials were over-ridden on this, and that the Board instructed them to--

MR. PEHLE: They have been using the technique of holding back the answer as to who is really responsible.

H.M.JR: Does Mead do that?

MR. PEHLE: They have been using the technique of increasing the interest by holding back, and probably by tomorrow or the next day there will be a disclosure as to who is responsible, and they will probably pin it on Husband or Clay, or any one of those people. Dick Durham--I don't know whether you have heard of him--is going to go up tomorrow. He was, as I get it by hearsay, brought here by Chip Roberts, and when Chip Roberts left, he was a clerk in the Legal Division a little while, a very short time. Then he went with the Democratic National Committee for a while. I can remember his phoning me a couple of times.

MR. GASTON: He was with the Committee for several years.

MR. PEHLE: And now he is head of an auctioneering firm, and he undoubtedly made all sorts of statements as to who he could reach and who he couldn't reach. He is going to be on the stand tomorrow.

H.M.JR: At least if there are any lessons we can learn from our own side, I am sure you don't have to be hit over the head.

MR. PEHLE: It is a very valuable experience, and so far we have been very much in the clear. Now, the Committee probably is just going to come out with a recommendation that everybody have strong investigative staffs, because the Committee, when it went into this, felt they could recommend some changes in procedure to prevent the thing from happening, but now they decide the only thing they can do is investigate fraud when it comes up. If you agree, I would like to put out a press release indicating the set up of an investigative staff in Procurement, which is agreeable to Elmer Irey. It would handle our side of the investigations. The field side is what Elmer is doing.

MR. GASTON: I don't see why we should have such a division in the Procurement Division. We don't handle it in that way in other branches. We have a special division under Irey that works under any department. They do character investigation, and so forth, and we have other investigative agencies we can assign. It doesn't seem to me it is necessary to have one in Procurement.

H.M.JR: This is strictly Herbert Gaston's business.

MR. PEHLE: It is mine, too, because any scandal on this I am going to have to be responsible for.

H.M.JR: But we haven't had any scandal in the Treasury in twelve years.

MR. PEHLE: There will be fraud in the field, I assure you.

H.M.JR: May I suggest when this is over you have a talk with Herbert.

MR. PEHLE: I think I would like to. There is nothing here that is inconsistent. We can have it out.

H.M.JR: Have a talk, and if the two of you don't come to an understanding, come to me.

MR. GASTON: What I would like to do is say Secretary Morgenthau has assigned a special division of the Treasury Investigative Staff--

MR. PEHLE: That is entirely agreeable to me, too.

H.M.JR: Talk with Herbert.

MR. PEHLE: We will work something out, I am sure.

H.M.JR: Will you do that?

MR. PEHLE: Right. The other thing is following the meeting with General Rudenko, this move to take this stuff away from the refineries again started up, and the Badger Company got word from the Sinclair Oil people that they had been assigned the two Houdry Units, so I called Oscar Cox and reminded him of that statement and reminded him he said he would fight that, and he said he would.

H.M.JR: Going back to Crowley, he told me he would fix them up with a higher priority.

MR. PEHLE: Yes.

H.M.JR: What else?

MR. PEHLE: That's all.

H.M.JR: This comes under the heading of gossip, but I thought it was very interesting. I had dinner Saturday night at Acheson's, and he had Senator Fulbright from Arkansas, Senator Burton from Ohio, and Congressman Vorys from Ohio, and after dinner they got to kidding Dean on account of being legislative representative, and they said, "When you used to come up, and you were in Charge of UNRRA we felt, well you were sort of sparing us a few minutes, and we hated to take you away from UNRRA and the other important tasks you were doing, and labeling you as legislative representative it hurt you and made you much less effective on the Hill."

MR. LUXFORD: I think that's right.

H.M.JR: And they were being sincere. You might think it over. I mean, you are General Counsel of the Treasury and you can spare a few minutes to go up on the Hill, but it is not good to have you tagged as the legislative fellow.

MR. O'CONNELL: I have never been tagged that--the same way Dean has. I go down to the Hill possibly less often than Dean, and when I go down, I go down as General Counsel, and I think in operation I am not in the difficulty Dean is in at the moment.

H.M.JR: These fellows are friends and they were talking and I thought it made sense. I mean that doesn't in any way change your worth, but you are going up there as General Counsel and not--

MR. O'CONNELL: That's the way I have done so far, and I think it's a good idea to keep it that way.

H.M.JR: And if Luxford will remind me--he wanted to let him know. He would give us the names of some Congressmen I should have over for lunch some day with him--if you will remind me--he said he would like to bring some of them over to get acquainted.

MR. LUXFORD: That is Dean--

H.M.JR: To have lunch with me. While we are at it, if you don't mind, he asked if we had our witnesses lined up?

MR. WHITE: We have lined up a number of them. We will line up more when we see what form it takes. It won't take long.

H.M.JR: His worries are our worries. He is being very sincere about it.

MR. O'CONNELL: Dean feels we can go further with a little advanced planning on the hearings. I think he thinks we ought to, before the bill is introduced, at least have a

pretty definite idea as to who is going to testify on our side, and even be prepared to work with them.

H.M.JR: You mean coach them?

MR. O'CONNELL: Prepare statements for them.

MR. WHITE: We were in touch with a number of them who are lined up to testify and we have informed them that we would give them at least a week's notice and they would come down here and we would have some discussions with them, but we hesitated to go into greater detail because we may not want many witnesses and we don't know how those witnesses will do. It depends on the witnesses the other side brings up and there is no difficulty of getting witnesses if we have a week's notice.

MR. O'CONNELL: You may not have a week. Certainly after the hearings start, but even after the bill is introduced you may find yourself in a position where the Committee will say, "We are ready to start hearings tomorrow," and if we can be prepared and be prepared to move--

MR. WHITE: We are certainly prepared for the first week of hearings.

H.M.JR: I would like to have the President's Message go up this week. I have reasons for it.

MR. LUXFORD: May I comment on that? I think there is a good chance that we can have it cleared up by Saturday afternoon completely with the Legislative Counsel. Today he will send the document over to Spence. There are two difficulties; one is that Dean felt that we should go up with him at the time that we transmit this document to Spence and get Wagner in there, too, and discuss the financing section, and see if we can't reach an understanding. Both State and we are in agreement on the financing section, but there are alternatives, and Dean feels the one without the appropriation is preferable tactically, and in our discussions with the Legislative Counsel he was quite sympathetic to that technique, and that is the first step,

just to get them to focus on which one they want to go in the bill. It shouldn't take very much time because it has been drafted.

(The Secretary leaves the conference temporarily.)

H.M.JR: Well, anyway I am not going to worry too much about this. For reasons I don't want to go into I would like to see the President's Message go up this week.

MR. LUXFORD: I want them to give you the second problem which is the real problem. The Board of Governors are insistent upon raising the question of governing this by a board set up by statute. We have discussed it at length. We cannot keep this from doing that. They are willing to have us put it this way, but the last thing Saturday Szymczak told me he wanted to be able to go up and talk to Wagner and Spence and argue the merits of the Board in the legislation before a bill is introduced.

H.M.JR: Let him go up.

MR. LUXFORD: That's going to delay matters.

H.M.JR: You tell these people that he can have his day in Court just the way we had it. I am not going to call a special meeting to give Acheson his day in Court--you see them first.

MR. LUXFORD: Mr. Secretary, I would still say this is a very popular concept with Congress proposing--and it is the kind of thing that may lead us into delay in this legislation, and I think that with the Committee that has been set up by the President on legislation and strategy, there ought to be strategy, and either decide as a group whether you want that technique or not, but there should be an administrative point of view on that.

H.M.JR: Do you want me to try to get them down Wednesday for lunch?

MR. O'CONNELL: You mean the same group you had a week or so ago?

MR. LUXFORD: I don't think that will do.

MR. PEHLE: You want the Administration group?

MR. LUXFORD: I think this Committee, you, Smith, and State should pass on strategy.

MR. O'CONNELL: You can't tell those boys about the existence of that Committee.

MR. LUXFORD: I'll do my best to bring Wagner and Spence around, but nobody can guarantee that. It's too popular. That is what the bankers are suggesting. It is a popular idea. Even Kilgore suggested something like that.

MR. O'CONNELL: We ought to be able to persuade Spence and Wagner that it should not be in this legislation. After all, the Kilgore bill involved a Committee which would handle a lot of other policy matters in the foreign field as advisory to the President other than Bretton Woods. This is specific legislation on one of a number of interesting problems.

H.M.JR: Are you worried if he goes up there?

MR. O'CONNELL: I am not as worried as Luxford, but I think we ought to go to Spence and Wagner and say, "let's see if we can't agree on the bill and introduce it by the end of the week." Get a special message down there. Eccles may go down and talk to them, but I don't think we need--

H.M.JR: I think Spence will do pretty much what I ask him to do.

MR. LUXFORD: The difficulty with Spence is one of making a decision.

H.M.JR: Look, if you are worried, I will ask Spence and Wagner if they will drop in here Tuesday or Wednesday morning. I will be glad to arrange it.

MR. LUXFORD: Let me see what happens today. I will go up and talk to them.

MR. WHITE: If you don't get results today, we will get them down here on Tuesday. The Board will be pretty adamant on it. First, they are afraid they are being squeezed out, there is some reason we don't want to name them in the bill and they won't let it go easily.

H.M.JR: If you are worried, I will talk to you fellows and Spence. I suppose I will have to see you fellows first.

MR. LUXFORD: All right.

MR. BELL: You couldn't keep Eccles from suggesting a Board when he testifies anyway, even if you had an agreement before hand.

MR. O'CONNELL: I was hoping we could get him from having it in the bill. You can't get Eccles from talking about everything under the sun.

MR. BELL: He will get it in there somehow.

H.M.JR: He doesn't care about Administration. He is outside.

MR. LUXFORD: He doesn't regard himself as outside.

MR. BELL: He agrees what position he wants to take.

MR. WHITE: He will unquestionably raise the issue one way or another after the bill is presented, and it is better to have him satisfied before.

H.M.JR: I want this thing to go up not later than Friday.

MR. LUXFORD: I think it is perfectly feasible even sooner.

H.M.JR: It has to go. How far did I get? Joe?

MR. O'CONNELL: I have nothing else.

MR. WHITE: You wanted this speech of Grew's on France to discuss.

H.M.JR: No, not now.

MR. WHITE: We received a reply from your letter to Ickes on your offer for assistance, and also your list of names to be investigated, and Ickes' reply is very nice.

H.M.JR: In regard to what?

MR. WHITE: Philippine collaborators. Ickes' reply is very nice, indeed. He wants to take advantage of every assistance we can give him on taxes, and so forth. He asks for your advice on something on which we will prepare a draft of a reply for your signature.

H.M.JR: What else?

MR. WHITE: Do you want to raise the question of the ABA report?

H.M.JR: I will do that last. Some are not interested and I don't believe in tying anybody up. I will do that last.

Mr. Luxford?

MR. LUXFORD: That is all I have.

H.M.JR: That chair Luxford naturally fits into. I wonder if you could take it up and get those kind of chairs in blue leather to fit into the room, see?

MR. LUXFORD: The chairs Sullivan had, weren't they blue?

MR. McDONALD: I don't think so.

H.M.JR: I don't know how much influence we have at Procurement but--

MR. PEHLE: I could see the arrows coming across here now.

H.M.JR: If you don't like the chair you are sitting in--

MR. PEHLE: No, I don't. We will certainly try, Mr. Secretary.

H.M.JR: Get them in blue to match the rest of the blue in the room.

MR. PEHLE: We might have to take them out of Cliff Mack's office.

H.M.JR: Has he got blue?

MR. PEHLE: He has quite a collection.

MR. WHITE: Maybe he would like the tan ones.

H.M.JR: That is a stock chair, they tell me.

MR. PEHLE: You will give me a note, won't you?

MR. McDONALD: Right.

H.M.JR: About nine?

MR. McDONALD: About nine. Do you want to replace this one?

H.M.JR: No. Nine is right.

MR. LUXFORD: How about Gamble? He better get in here early.

MR. BELL: Mr. O'Connell, Mr. Delano, and I are prepared to talk to you about Eccles' holding company bill. Mr. Ransom came to see me Saturday night late and said that he was a little worried about the whole thing, but in view of his position in 1939, I think it was, he sat here and agreed with you. So he has talked to Marriner about putting in the bill a provision which would require the Federal Reserve Board to report within five years to the Congress as to what should be done, what changes should be made. I said, "Of course you don't need a provision like that. They are supposed to make an annual report anyway." He said this would require them to make a specific report and it satisfies him that there ought to be a death sentence because he said you get some experience and in five years make a report on it.

H.M.JR: Did you hear what I told Crowley about this? I thought that was a good way to get a leak, but it didn't work. (Laughter)

MR. PEHLE: You should have told Oscar Cox.

MR. LUXFORD: You didn't tell his staff.

MR. BELL: Eccles called me late Saturday night, and he said he hoped you would not make up your mind until he had his day in Court. What he wants, apparently, is to introduce this bill. He doesn't care whether Congress gives it immediate consideration, but he wants the psychological effect the introduction of the bill will give him.

H.M.JR: The way I feel this morning, Mr. Bell, I don't know. He had a bill which Crowley and I agreed on and I took and and asked the President to say something--

MR. O'CONNELL: Mr. Glasser was in on it.

MR. BELL: That was the Death Sentence Bill, 1941.

H.M.JR: It goes back earlier than that.

MR. BELL: Senator Glass introduced it.

H.M.JR: The way I feel this morning--this business of the ABA--let me talk a minute. It is different from this Jones business and all the rest of this. I go back to Jack Garner--the one thing Jack Garner would pound right straight along was fifty men in this country who ran this country, this GD Administration, wouldn't do anything about it, and he was absolutely right, and we haven't done anything about it.

Now, I don't have any fight as far as the Bank of America and the Treasury are concerned in War Bonds. They are doing that thing all right, but if we are going to go after the thing that Eccles sits here and is so worried about, the Giannini Empire--the Giannini Empire was offered to Mr. Jones to head and all the rest of the stuff--and if we are going to do it, I am not going to do it the Eccles way because I think the Eccles chain banks in Utah and Idaho are just as bad as any other, and they are just as bad as anybody else's. And it isn't luck or accident that the Giannini empire never went into those two States. Here is a little empire the Eccles family carried off for themselves and Giannini stays out of that.

MR. BELL: He is in Nevada.

H.M.JR: I said Idaho and Utah.

MR. GASTON: He has all of Nevada.

H.M.JR: There are only two states and he keeps out of those and Eccles' home is in Idaho.

MR. LUXFORD: Utah.

H.M.JR: No, that is just the point. He lives in a hotel he owns.

MR. BELL: It is a town north of Salt Lake City.

MR. GASTON: Twin Falls?

H.M.JR: No. It is a big town. What is it? Well, anyway, the way I feel right now, this morning, is that I won't get any help any place unless it is from the President, but if I am going to go into this fight, I am not going to recede from the position I was in in 1939. That is the way I feel this morning. I am mad, see? I would just like to tell Mr. Eccles, "I'll play with you, but I'll play with you on the basis of 1939."

I am not going to be mealy-mouthed. You know what he wants to do. This is the situation. I had Mario Giannini in here, finally, after he had sent all the lawyers to come in, and finally he came himself. He came alone, and from that day on things were all right, because we had no complaints from the Comptroller's Office or anything else, but the Federal Reserve, you see? In fooling around with them, they have just put it off, is that right? They have gone out through Transamerica and bought back in the face of the charters which have been refused to them by the Federal Reserve, not by us.

MR. BELL: Some kind of voting permits.

H.M.JR: Well, they are something, and he has a bill which starts in 1941, and it is so obviously directed at Giannini, and it will also take away some of the Treasury functions, won't it?

MR. O'CONNELL: That is not very important, but whether his bill is a freezing bill which permits the Federal Reserve Bank with a great deal of discretion to control operators of holding companies--we were always in favor of a bill having a death sentence in it, and during the years make it impossible--just abolish bank holding companies.

H.M.JR: The one I went to Carter Glass on--I wish

you would dust this off--the President was in on this in some way.

MR. O'CONNELL: His Monopoly Message in 1938 had in it a section devoted to bank holding companies and suggested the desirability of abolishing them.

MR. BELL: That is what our bill is based on.

H.M.JR: I am not going to trade with Marriner. Is Ransom more in my corner?

MR. BELL: He was in 1939 in the death sentence, and he was in favor of 310, and he was on the committee which wrote that section in the President's Monopoly Message, and the Board didn't like his stand at that time, or the stand he took in this room, but he says he has been interested in these holding companies for a long time, and he couldn't change his position, but he said something should be done. He didn't feel S-310 could get through Congress. You have some good holding companies in the country, and they are a strong pressure group, but he feels if this bill could be introduced with some provision to require a definite report and a recommendation that after five years' experience your bill required a death sentence after five years, he thinks it is a step forward.

H.M.JR: But Marriner was frank enough to say the bill he is advocating he wanted to just drop in the hopper. He didn't know whether he wanted to get it through or not.

MR. BELL: Yes, he said he wanted to drop it in the hopper and wait until Bretton Woods is out of the way, but it would do him a lot of good from a psychological angle if it were on the calendar.

H.M.JR: I would rather drop 310 in the hopper.

MR. O'CONNELL: I don't think there is much chance of either being considered this year.

H.M.JR: If I am going to do something, I would rather

do '39 with the death sentence.

MR. O'CONNELL: You remember last fall the predecessor of this bill was given to Wright Patman, and he was going to introduce it, and you had me go down and tell Patman not to introduce the bill because of the position you had always taken and you still wanted a death sentence, and that bill did not go that far?

H.M.JR: Morgenthau is good!

MR. O'CONNELL: You told me to go down and tell him that, but in any event you said, "Don't introduce any bill at this point. Wait until the new Congress comes in." You said that if it was introduced, you would be obliged to say the bill did not go far enough and you could not support the bill.

H.M.JR: He comes here and tells me all the naughty things Transamerica has done, and it seems to me that 310 is more in that thing than it ever was.

MR. O'CONNELL: Our position is as good as it ever was.

H.M.JR: As Transamerica becomes worse, our position looks better. Now, where would Crowley's General Counsel of FDIC be?

MR. O'CONNELL: He will be with us. I talked to him Saturday.

H.M.JR: How about Crowley?

MR. O'CONNELL: He will go along with anything Brown will, because I talked to him first, and he told me to call Brown.

H.M.JR: That is the way I feel today.

MR. BELL: The Bank of America has been very cooperative with us since our conferences of 1940, and they have lived up to the memorandum which they signed. Nevertheless, they

got around our edict that there will no more branches. We have set branches at four hundred ninety-six, and we haven't deviated from that, but Transamerica Holding Company has bought fifteen or twenty banks which are a part of their empire, not in name, but part of the Bank of America.

MR. GASTON: The holding company thing is much worse than the bank thing.

MR. BELL: The Bank of America is a good bank. It is a money-maker.

H.M.JR: I am telling you how I feel this morning, but where to go from there, you boys can think it over. That is, I had a very light breakfast, too. I am tired. I am worn out.

MR. BELL: We are all that way.

H.M.JR: I am still for 310. If I am going to fight, I am going to fight on a good front, and I am in a better position fighting for 310 than for Eccles' plan.

MR. BELL: The objective of 310 is all right. Maybe the period is a little short--five years for death sentence--for some of the better holding companies. You've got some good ones. The one in the northwest saved the northwest in 1943.

H.M.JR: No, no. How about it, Herbert? Are you going to give in? They didn't save it. Farm Credit--

MR. GASTON: They've got a good strong chain--a couple of them.

H.M.JR: How could they save the northwest when we put the mortgages in there and literally took North Dakota out of hock--and Minnesota? The governor of Minnesota, what was his name? Floyd Olson said, "Henry, buy yourself a gun. I'll give you a farm. Keep it as long as you want. It won't cost you a nickel as long as you've got some ammunition."

MR. BELL: If those banks had been independent banks,

they would have been closed.

H.M.JR: With Floyd Olson there and Minnesota and North Dakota in the shape they were in in 1933.

MR. BELL: It was probably the same thing in New York, and if it weren't for the holding companies, if they had been independent, most of them would have been closed.

MR. GASTON: If they had had a lot of independent banks, probably the situation would have been worse in the northwest, but they weren't pulling business or farms out of the hole.

MR. PEHLE: How close did the Bank of America come to going under?

H.M.JR: That is a long story. The Federal Reserve Bank recommended that they should close, and as I got the story, Mr. Woodin kept them from closing.

MR. PEHLE: But they were in bad shape.

H.M.JR: Very bad shape, and from that day on Giannini felt he owned the Treasury.

MR. WHITE: What holding company saved them?

MR. PEHLE: Welkin Holding Company.

H.M.JR: That's the story as I get it.

MR. BELL: I don't know. I know there was a feeling around here that it should have been closed.

H.M.JR: The Federal Reserve in San Francisco is on record that they should have been closed.

MR. BELL: That they should have been closed?

H.M.JR: Yes.

MR. O'CONNELL: One difficulty I have with Eccles' legislation is that the Federal Reserve Board is the Board to administrate legislation. It is regulatory legislation with discretion in Federal Reserve Board and what would be done under it is a matter for speculation. They could permit the existing situation to continue indefinitely as far as the bank holding company is concerned. The only thing Transamerica would have to do, and even then there is some discussion, they would have to get rid of their non-banking affiliates in the Transamerica setup. What else they would do is what Mr. Eccles wanted to do, and Brown made the point, and it has been made before, that the Federal Reserve Board has never been much inclined to use powers they have with respect to bank holding companies. They say they are inadequate. Brown says they haven't used them and how effective this sort of legislation would be is doubtful in my mind.

H.M.JR: He has his three hundred and ten uppermost in his mind, and I hope you can say so to Crowley and if you want to come over and talk, that is what you are going to find.

MR. BELL: Did Mr. Crowley have three hundred and ten on his mind?

MR. O'CONNELL: He was against anything Eccles was for, and we have had little difficulty.

H.M.JR: Find out.

MR. O'CONNELL: I think he had supported us on three hundred and ten. He doesn't want this bill introduced, I know that.

H.M.JR: If you have to drop something in the hopper, let's drop three hundred and ten.

MR. BELL: Maybe you will come out with the Eccles Bill.

H.M.JR: At least I am consistent, which is something.

MR. BELL: Patman will introduce three hundred and ten, I am sure.

MR. O'CONNELL: I think he would if we want him to. He was prepared to introduce the other. He will do that too.

H.M.JR: We ought to give him first chance.

What else?

MR. BELL: That's all.

MR. McDONALD: Mr. Secretary, the Paris OWI office cabled the New York office that Rene Plevin, the French Minister of Finance, wanted to screen the Donald Duck film, "Donald Duck Pays His Income Tax." They are interested in doing a summary of the thing. We have had a request through Procurement to find out whether it is all right to let them have a copy of the film which is in the custody of Procurement.

MR. BELL: Do we own it, and we don't have to go to Disney on it?

MR. O'CONNELL: We loaned fifty copies to Canada in 1942. There is no question, we can lend it to them.

MR. McDONALD: Somebody is interested in it.

H.M.JR: I think it would be marvelous. Maybe they will invite us over to the Premiere.

MR. McDONALD: We have had it shipped and they will send it over air mail.

H.M.JR: We got sixteen millimeter on that, I think.

MR. O'CONNELL: They have only asked for one copy. It is not for general distribution. It is to be shown to Government officials, and they are thinking of getting Walt Disney to make a variation for them. They just want one copy now.

MR. BELL: It will take more than that film to make them tax conscious.

MR. GASTON: In connection with films, I was going to ask if the Secretary had seen the Coast Guard film called "The Road to Berlin." It's about the European landing, and I am told it is very good.

H.M.JR: Will you tell Fitz about it?

MR. GASTON: Yes.

MR. McDONALD: The next item is the clearance of the personnel appointment of Willis MacLeod as Consultant to Cliff Mack at eight thousand dollars. He will, as I understand it, head up commodity classification and standard specification work at Procurement. He has been working with War and Navy and other departments to try to get this thing in final form on a technical basis. The man has had very good experience, as I see it. He is now with WPB as Assistant to the Vice Chairman on the Conservation Program and similar work. Before that he was with OPA as Chief Business Specialist and for many years was with Standard Oil. His last job with them was group head of the standard group working on standard commodity classification work.

H.M.JR: Is Pehle for it?

MR. McDONALD: Pehle is for it, and Charlie Bell has discussed it with Cliff Mack, and we feel he is probably all right.

MR. PEHLE: It is specification work which has been assigned to Procurement for years, and they haven't taken the leadership they ought to. This man would strengthen our staff on it. He is on a consultant basis.

H.M.JR: Now, discussion on ABA and Bretton Woods.

25 FEB 5 1945

Dear Francis:

You will recall that in December 1943 Leonard J. A. Smit and his companies, together with the Chase National Bank, were indicted for violations of the freezing Order and last August Leonard Smit and his companies pleaded guilty and paid fines of over $100,000; Leonard Smit was also given and has served a prison sentence.

It is my understanding that two indictments in which the Chase National Bank is defendant are still pending and that this phase of the case came up for trial some time ago but has been postponed several times. It seems to me that we would be vulnerable to criticism if the case were not expeditiously tried.

I should appreciate it if you would let me know what plans have been made for the trial.

Sincerely,

(Signed) Henry

The Honorable

The Attorney General of the United States.

IMoskovitz:joc 1/23/45

Copy to O'Connell -

107

Office of the Attorney General
Washington, D.C.

February 5, 1945

The Honorable

The Secretary of the Treasury

Washington, D. C.

Dear Henry:

The Chase National Bank case is tentatively listed on February 15; and should probably be reached for trial within thirty days after that date.

Sincerely yours,

Francis Biddle

Attorney General

February 5, 1945
10:45 a.m.

Re: A.B.A.

Present: Mr. O'Connell
Mr. White
Mr. D. W. Bell
Mr. Gaston
Mr. Luxford

MR. WHITE: We sent for some copies and they sent us two.

H.M.JR: They didn't send me any.

MR. BELL: I had lunch with Burgess Saturday and there were some mailed. I assumed he had sent one to you. It ought to arrive today or tomorrow.

H.M.JR: Well, they are going to ask me at press today about this thing.

MR. WHITE: We were getting out a statement that I thought you might make, and I am not at all sure whether it is better to make a statement or say we have just got it and are studying it. I don't know which would be best.

H.M.JR: Well, my own feelings are simply say I haven't got a copy of it yet, and I haven't had time, and we think it would--oh, there will be editorials but they will die out. If I should hit it this afternoon, then it is another story.

MR. WHITE: I am wondering whether it is better or not. They have a lot of publicity out and they will get a lot more today, because it is supposed to be out today, and during the week there will be a lot of editorials, and we were thinking that we would issue a long statement somewhere--whether it would be better at the Committee or release it before the Committee, but certainly sometime after this had died down. I just don't know what is the most effective way. We will have to answer it in detail, but whether we best save it

for the Committee or whether it should be made public as soon as possible, I don't know.

MR. BELL: Can we get any strong editorials against the ABA report?

H.M.JR: For it?

MR. BELL: Against it?

H.M.JR: I don't quite follow you.

MR. BELL: Couldn't we get the papers to write strong editorials?

H.M.JR: No, not a chance.

MR. BELL: Couldn't we get the Washington Post? Wasn't the Tribune in favor of Bretton Woods?

MR. LUXFORD: The Washington Post is the only one that is really in favor of it.

MR. WHITE: I don't think any major paper will write a strong editorial against that report. In the first place, they wouldn't be sure of themselves, and in the second place, there is quite a galaxy of names in that report.

H.M.JR: What do you think, Herbert?

MR. GASTON: I have not attempted to say you hit the thing pretty hard.

H.M.JR: You say you would?

MR. GASTON: I feel that the question is whether the Monetary policy and the relation of the dollar to other currency should be governed, as far as the United States is concerned, by the Government of the United States or by a few New York bankers.

MR. WHITE: I think there might be something of that kind.

MR. BELL: That will get the headlines.

MR. GASTON: The position of the American Bankers Association has been dictated by a small group of large banks who have handled the bulk of foreign exchange in the past, and who resent the United States Government in the matter of mutual stabilization of currency.

MR. O'CONNELL: You want also to say, like the grand old party, they never learn anything and never forget anything.

H.M.JR: I think if you are going to take that track, take one Roosevelt sent in. I am sure the bankers by and large throughout the country will support the Government, and that is a small clique.

MR. GASTON: Yes. You might say, "I doubt whether this represents bankers throughout the country."

MR. WHITE: On the contrary, we know it doesn't.

H.M.JR: Say, Herbert, that the foreign exchange business has always been in the hands of--

MR. LUXFORD: The International Banking group?

H.M.JR: Yes, and that their record in the past--

MR. LUXFORD: They were against the Federal Reserve system.

MR. BELL: You could draw a--

H.M.JR: It is a question of whether this is the time to hit it. I think Herbert ought to lock himself in a room and give me something if I am going to hit it. We might as well meet them hard.

MR. WHITE: If you are going to hit it, it ought to be at that level, because any attempt to hit it from the technical point of view will be dull and take a lot of time. It would take another report equal to the length of this, and the only way it seems to me you can get it in the public's mind is that their prestige must be discontinued by some such approach, because the public is never going to examine the merits of of this proposal. They are merely going to be impressed by the fact that the American Bankers Association, Federal Reserve, City Bankers and the New York State Bankers, are all against it. It is a very impressive roll call.

H.M.JR: Excuse me, did the New York State come in on this, too?

MR. WHITE: If they didn't, they will. I didn't read the preliminary. I know the Federal Reserve City Bank did.

MR. BELL: Can you draw a distinction between the Fund on one hand and Bank on the other? Don't they see a chance to get their loans guaranteed and still make the money?

MR. WHITE: We are not taking business away from the fund.

MR. BELL: It is on the arbitration.

MR. WHITE: They never said that.

MR. BELL: Isn't that the distinction?

MR. WHITE: We might distort it and say the speculators are against it.

MR. BELL: They are in favor of the Fund if they put it all in the bank.

MR. WHITE: Well, that's--

MR. BELL: I can't see that.

MR. WHITE: They would maintain the Fund functions and put them in the bank.

MR. BELL: It seems to me the only real difference is one of organization and one of a lot of money that they want to put up. That's about the only difference. They agree to the principles and objectives.

MR. WHITE: They would find, if they tried to put that function in the bank, that they would immediately have to safeguard it, and then they would end up with ninety-five percent of the provisions of the Fund anyway, except they will be drawn out of the Board of Directors.

H.M.JR: May I just take a minute here, please? I haven't had a chance to show you this, and this thing is--may I say, the following message is for the Secretary of the Treasury and Acting Secretary with a request that only two copies be made of this thing, and I have never seen that before. This one of February 1st may have gone to you or not but--

MR. GASTON: The fact is he wants to be protected.

MR. LUXFORD: Winant--

MR. GASTON: Winant's own statement about it--

(The Secretary hands Mr. Gaston two cables from Mr. Winant to the Secretary dated

MR. WHITE: They are a reactionary group. They want, as he points out, a strong empire. They want discriminatory trade practices by lateral arrangements. Our group doesn't advocate that.

H.M.JR: I want to say Herbert can take his hand at this. Simply say, unless we can get friends on the Hill--use this--say this is attacking Hull's policy directly. Cordell Hull is for it, see? I am throwing this thing out, but the thing I am trying to get over is if at some place--I didn't know whether I was going to do it in Detroit--but it might be better to do it today, so some of them know where we stand on this thing and say, "Look, the cards are down, see, and we recognize this thing. Now, we have had the ablest people in the

country, some of the ablest bankers advising us--the ablest financial people of all the Governments, and are we going to go through another era when this war is over of selling foreign bonds, having a handful of people having the exchange rates, having the Government impeded--are we going to go into cutthroat competition, or are we going to approach this thing? Nobody says anything. The forty-four nations have to come to an agreement that can't be a perfect instrument. It has to have mistakes, we agree on that. It is this or nothing, and this is the first thing, and this is the first thing that is going to go before the world, not just before the American people, to looking forward to a better world in business, and it is the same thing that I made in one of the speeches on the Government. It is up to the Government to take the risk on the interest rates and not up to the individuals. Remember I used that thing? It's up to the Government in taking the risk. Sure, we are taking the risk. Is it better for us to take the risk and spread it among forty-four partners, or to have five banks in New York dictate foreign exchange rates--with the five banks in line, and having London lead us around by the nose, which they have done in the last one hundred years?

(The Secretary holds telephone conversation with Attorney General Biddle, as follows:)

February 5, 1945
10:59 a.m.

HMJr: Hello.

Francis Biddle: Hello.

HMJr: Francis?

B: This is Francis, Henry.

HMJr: How are you?

B: Fine.

HMJr: Francis, I sent you a little note over which I wanted to draw your personal attention to. It's in regard to the Chase Bank.

B: Yes, it's on my desk. I've seen it.

HMJr: Well, I wanted to tell you that I was particularly interested and I'd like to get you interested in it.

B: Oh, I know all about it, yes. I don't know when it's set but I can find out and let you know.

HMJr: Would you?

B: Sure.

HMJr: And would you mind either calling me or letting me know?

B: Sure, I will.

HMJr: Because it's been sort of kicking around for some time.

B: Well, I don't think it's been kicking around -- I think it's been waiting to get on the trial list. It's a pretty heavy list over there.

HMJr: Well ....

B: I'll let you know as soon as it's -- I'll let you know about it right away.

HMJr: If you would.

B: Be delighted.

HMJr: Thank you.

B: All right, Henry.

HMJr: Thank you.

MR. BELL: He knows about it because he and I talked about it at Cabinet some time ago.

MR. WHITE: I think you sounded the keynote. The cards are down. I think that is the keynote that we knew this fight was coming. It is not a fight on the merits. It is a fight between big international bankers and ourselves, and the cards are down, and the fight now is on if we just keep hammering away. That should be the keynote, and begin with the statement the cards are down.

H.M.JR: How about saying that I got out a statement over the week end saying that when I went to Detroit or St. Louis I didn't want to get into a technical thing. I wanted to give the kind of talk which I gave to Burgess and these other fellows.

MR. GASTON: On Bretton Woods? Yes, a little at a time.

H.M.JR: This is all right; this is down. Here there are forty-four governments with the best people. People spend a lifetime at this sort of thing.

MR. GASTON: We want a short statement for today, not over two pages, and we want to say that you are going to come back to this. You are going to have something more to say later about this. You can't tell the whole story in one statement.

MR. WHITE: I don't know about that. That sounds as though--it may depend on how you phrase it--but it seems to me if the point is made, that we expected this, that they haven't changed their minds for a year; this is a fight between international bankers and Government, and that the cards are down; the fight has begun.

MR. LUXFORD: I think he will say it better if he hasn't anything in writing, the way you did it to the bankers. If you say it that way, it will be good. You don't need any priming.

H.M.JR: I think the sooner the President's statement comes after this--it is better that the President's didn't come first; but it ought to come within three days if possible.

MR. WHITE: A statement like yours should come in between.

H.M.JR: I am ready.

MR. GASTON: The time is ripe to put this on a low level.

MR. WHITE: They have left us no alternative.

H.M.JR: All right.

MR. BELL: But I asked Burgess about the forty-four nation's agreement, and I said, "Here these fellows are coming. How can you change it without going back to the forty-four nations?" He said, "It will be changed all right. I talked to a lot of these fellows, and they are not satisfied."

MR. LUXFORD: Sounds just like Vorys said, there isn't going to be any war. Burgess' saying he talked to them and they said they will change it!

MR. WHITE: Whom he has talked to and the circumstances under which he talked!

H.M.JR: Burgess said they haven't played square with them, and they haven't. This is the unfortunate thing. I have given him a--

MR. WHITE: That I am not sure of. I don't think they have ever taken the position--they have been consistent in opposing it, and they have been consistent in points they didn't like, and the thing they said they agreed with you was they would say that if the alternative is nothing, they would prefer Bretton Woods. I think you might have a right to say if they felt that way, why didn't they get that in their statement.

MR. LUXFORD: The Secretary said they ought to put it in their statement. He didn't say make it oral.

MR. BELL: I don't think he got agreement in his company. You were dealing with one man.

H.M.JR: Why didn't he come back?

MR. LUXFORD: He said he would come back and he didn't.

MR. GASTON: Let's deal with the merits and not confuse it by saying as a matter of tactics they didn't play fair with us.

H.M.JR: It's time to put in on the proper level. (Laughter)

FROM:
AMERICAN BANKERS ASSOCIATION
THE NEWS BUREAU
Lester Gibson, Director
22 E. 40 St., New York 16, N. Y.
2/1/45

Please note

RELEASED FOR PUBLICATION MONDAY
FEBRUARY 5, 1945

PRACTICAL INTERNATIONAL FINANCIAL ORGANIZATION

Through Amendments to Bretton Woods Proposals

(Joint report of American Bankers Association, Association of Reserve City Bankers, and Bankers Association for Foreign Trade)

S U M M A R Y

The international financial proposals by the Bretton Woods Conference last July lie primarily in the fields of banking and finance. The banking associations, therefore, have recognized their special responsibility for studying these proposals with care, and for making public their considered judgments concerning them.

We find much that is desirable in the objectives and in certain features of the Bretton Woods plan; but we also find provisions which, in our opinion, are financially unsound and, if adopted, might retard rather than promote enduring recovery.

We suggest a way of preserving and making effective the desirable features of the Bretton Woods proposals while at the same time avoiding their more serious dangers. In brief, we recommend that the plan for the International Bank for Reconstruction and Development be adopted with minor changes, but that the plan for the International Monetary Fund be not adopted, as it embodies lending methods that are unproved and impractical. In lieu of the Monetary Fund we recommend that certain of its features be incorporated into the provisions for the Bank. In this way, we believe, the objectives of Bretton Woods could be achieved and the risks reduced. The details of this proposal and the reasons for it are reviewed in the following pages.

GUIDING PRINCIPLES

The Bretton Woods plan raises many difficult and highly technical questions. In our opinion, however, primary emphasis should be placed not upon technicalities but upon the fundamental principles which should underlie any plans for international financial agreements. Certain of these basic principles were formulated by the American Bankers Association in the report of its Economic Policy Commission, issued in September 1943, after early drafts of monetary plans were made public.

> First, that some international institution is desirable: to help nations in stabilizing their currencies; to provide a meeting place for the discussion of monetary questions; to collect information which is a necessary basis for sound decisions; and to make some arrangements for stabilization credits in cases where they are justified, ...
>
> Second, that institutions of this sort are no substitute for the hard, patient labor of reestablishing the economic soundness of participating countries, of the balancing of budgets, and readjustments to post-war conditions. Especially important is the economic condition of the key countries, the United States and England. To extend this sort of credit before sound economic programs are established would invite failure and loss. . . .
>
> A third point relates to the general scale and scope of the operations of such an institution. President Dodds of Princeton has recently suggested that any international organization "must not attempt to frame a super-government so new and unfamiliar that men will not be prepared to participate in it." ....
>
> Fourth, credits granted by such an agency should be extended in accordance with proven standards, based on the merits of the individual case, and conditioned on adequate commitments by the debtor. . . . A system of quotas or shares in a pool which gives debtor countries the impression that they have a <u>right</u> to credits up to some amount is unsound in principle, and raises hopes that cannot be realized. . . .

In September 1943 the American Bankers Association at its Sixty-Ninth Annual Meeting in New York City adopted the following resolution, in which the governing body of the Association endorsed in general the above-quoted principles.

> This Association supports the view that our own progress and well-being, and that of the world, require our active participation with other countries in dealing with post-war problems. Such participation may require generous aid in stricken areas to relieve distress. In addition there will undoubtedly be need of cooperation in measures to restore stability of currencies, broaden the flow of commerce between nations, and encourage international capital investment for rehabilitation and development.

> But any plan in which this nation may agree to assist in the stabilization or reestablishment of foreign currencies should incorporate the principle that the value of currencies be fixed in terms of gold. Financial and commercial relations with other countries should accord with sound business principles. While recognizing that enlightened self-interest calls for our participation in efforts to build a better world, yet we fully realize that achievement of the goal depends primarily upon the efforts of people everywhere to help themselves.

MAJOR FEATURES OF THE BRETTON WOODS PROPOSALS

The conference at Bretton Woods resulted in the 44 delegations signing a tentative document which includes detailed plans for an International Monetary Fund and an International Bank for Reconstruction and Development. All signatures, however, were subject to a blanket reservation so as not to bind the several governments in any way. The terms of its submission to the 44 governments were stated by the chairman of the British delegation, Lord Keynes, as follows:

> The whole of our proceedings is ad referendum to our governments who are at the present stage in no way committed to anything. . . . We do not even recommend our governments to adopt the result. We merely submit it for what it is worth to the attention of the governments and the legislators concerned.

There are really two plans, one for a Fund and one for a Bank. They are elaborate and complicated, together filling 85 printed pages of text. A condensed summary of the principal provisions of both is given in the appendix of this report. It is desirable here to draw attention to major points of the Bretton Woods program in relation to the principles set forth in the reports of the American Bankers Association referred to above.

(1) The Bretton Woods program provides machinery for continuing international consultation on currency problems, the collecting of information, and agreement on the "rules of the game" applicable to currency policies and practices. It would provide a place where important people influential in the formulation of currency policies in the different countries might meet regularly and become acquainted with one another's problems.

In these broad purposes the Bretton Woods proposals are in harmony with the principles heretofore endorsed by the American Bankers Association.

(2) The Bretton Woods program for the granting of credits is huge and complicated and the United States would supply a large proportion of the money. The two institutions initially would have a combined capital of about $18 billion in gold and miscellaneous currencies. Of the total the United States would make a commitment for nearly $6 billion -- about a third of the overall total but more than half of the gold or currencies exchangeable into gold. Even this $6 billion might not be all that the United States would be expected to supply, since the fund has the right to borrow scarce currencies and quotas may by agreement be increased.*

With respect to size and complexity, the Bretton Woods program departs from the principle that an international organization should be simple and understandable. There are already differences in interpretation.

(3) The plan for the Monetary Fund introduces a method of lending which is novel and contrary to accepted credit principles. Under the system of quotes in the Fund, a member country would be virtually entitled to borrow in certain specified annual amounts from the international pool of resources, provided the purposes of such borrowing were represented by it to accord with the broad purposes of the Fund. The borrowing would be subject to certain limitations, but with no stipulation that the loans should be good loans or -- once a country had been admitted to full rights of membership in the Fund -- that the loans should be based on prior consideration of the economic condition and prospects of the borrowing country.

(4) The Monetary Fund also, in its effort to meet the situation of countries now in uncertain financial position, goes far beyond the principles heretofore accepted by the United States in recognizing and approving changes in

---

* "The aggregate facilities (of the Fund) guaranteed by the initial subscriptions of the members under II (2) are smaller than were proposed for the (Keynes) Clearing Union. But they are substantial, and, if necessary, can be increased later on, by general agreement." -- Explanatory notes by United Kingdom experts on the International Monetary Fund as proposed in the Joint Statement of the Experts, April 1944.

"The quotas are not so large as under the Clearing Union . . . But they are substantial and can be increased substantially if the need is shown." -- Lord Keynes, address to the House of Lords, May 23, 1944.

currency values and the maintenance of exchange controls. It is noteworthy that in the evolution of the program the name "Stabilization Fund" has been discarded. The difficulty arises inevitably from any attempt while we are still at war to lay down rules that we must live up to after the war and following the transition period. Naturally many countries are reluctant to make firm commitments now as to currency values and removing exchange controls.

The commitment is so slight that Lord Keynes has some justification for saying in the House of Lords, "These proposals are the exact opposite to the gold standard."

Nevertheless the United States is asked for a firm commitment in putting up a large part of the internationally valid money.

(5) In contrast to the Fund, the proposed Bank would operate more on the basis of established banking and investment principles, with the criteria that the loans must be investigated in advance by a competent committee and must give adequate promise of repayment. The United States, moreover, would retain in the Bank a veto power over loans payable in dollars. The bulk of the Bank's operations would be financed by the sale of its own obligations or take the form of guaranteeing loans made by others. The Bank plan, therefore, does not call immediately for large amounts of capital subscriptions, as does the Fund. Only the first 10 per cent of the Bank's capital would be called in the first year -- some $300 million in the case of the United States. Another 10 per cent would be subject to call for making direct loans; the remaining 80 per cent would constitute a guarantee fund, to be called only if needed to cover defaults in loans which the Bank has guaranteed or to meet its own obligations.

QUESTIONS TO BE CONSIDERED BY THE CONGRESS

The international discussions prior to and at Bretton Woods marked a step forward in mutual understanding among the United Nations in one area where cooperation is essential. It is most desirable to capitalize and build upon the

progress made. Total rejection of the Bretton Woods plans might delay and endanger future progress toward international understanding in this and other fields. Constructive action is part -- and a vital part -- of the broader program of international reconstruction, peace, and well-being.

This does not mean that the Congress must accept the conclusions of Bretton Woods in their entirety without change. Here is one of the largest commitments for the post-war period the United States is being asked to make, both in terms of money and in terms of monetary, economic, and political policies. The discussions up to this point have been conducted largely at the official technical level. No other country has yet acted upon these proposals. The Congress has had no opportunity to obtain the views of others or to formulate its own conclusions. It can hardly be expected to give these plans hurried or perfunctory approval. They call for careful study.

In reading the plans it is easy to become lost in the maze of technical details and thus to overlook the broad economic and human questions which, in the end, are the determining factors. The question is not how an institution ought to work in a perfect world, but how it is likely to work in an imperfect world where decisions are based upon political and human reactions. We need to recognize that all governments are under constant pressure to take the easier way, which is all too often not the sound way. Specifically, if credit is too easily available, governments are apt to use it instead of making the maximum effort to put their economic affairs in order.

With such considerations in mind, the United States may well apply to the Bretton Woods program certain broad tests discussed in succeeding paragraphs.

SIZE AND NATURE OF CREDIT NEEDS

Among the first questions to consider are these: Howmuch and what kind of money is needed? What commitments should the United States make now?

Resources Already Available. Much current discussion seems to imply

that the whole world is dependent upon the United States for huge quantities of goods and credits. Actually this is not true.

In the first place, most of the feeding, clothing, and rehousing of the people, and other rebuilding in the stricken areas, will have to be done at home. These countries will be wanting to put their people to work, and their producers will be striving to recapture their share of the home market. According to President Roosevelt's first report to Congress on United States participation in U N R R A as of September 1944, the liberated peoples of Europe will themselves produce over 90 per cent of their food and clothing and of other supplies they need. In a similar vein is the following statement by M. Ernest Mercier,* President of Union de L'Electricite and a member of the French delegation to the International Business Conference at Rye: "We need some necessities, but we do not ask for more. Above all, we know that money will not do the job of reconstructing France. Only our own toil will do that -- probably ten years of it."

In the second place, the outside world as a whole already has more gold and dollar exchange than ever before, partly as a result of our huge overseas expenditures for our armed forces and for materials. As shown by figures published in the November 1944 Federal Reserve Bulletin, the official holdings of gold and dollars by foreign central banks and governments in September 1944 totaled about $17 billion. Counting also foreign-owned private banking funds, the total gold and dollars is estimated at about $20 billion.

Every day the war lasts and our overseas spending continues the total increases. Already in the three years that the Treasury has been considering plans for an international monetary fund, the outside world's holdings of gold and dollars have increased by something like $7 billion. This is three times the American subscription called for by the original White plan and more than the American commitments called for by both of the Bretton Woods institutions combined. In other words, even while we have been talking about these plans, other

* Fortune Magazine, January 1945, p. 226.

countries have been acquiring gold and dollars in large amounts, and there are now few countries without substantial holdings of dollars and gold. At the same time the gold stock in this country has been going down to the point where, in the face of the currency and credit expansion taking place, the President has suggested to the Congress the necessity of lowering the legally required reserves of the Federal Reserve Banks.

Third, with reasonable encouragement, large amounts of private United States dollars are ready to go abroad. The banks are now financing current trade in substantial amounts and are ready to take care of a much larger volume. Many business concerns are preparing to extend their operations to new areas. Some governments can borrow intermediate funds privately in this country, as the Dutch are doing; and they and others should be able to sell dollar bonds here soon after the war ends.

The recent flow of private capital from this country to Mexico since political conditions there have become more favorable is an indication that venture capital is venturesome. To a large extent foreign countries have the power to attract capital, by creating the kind of atmosphere in which investors will be willing to take chances. The between-war experience showed clearly that the best kind of capital flow occurs where enterprisers can go in with their money and stay with their undertakings and see that the capital is productively employed.

Too Much Money as Bad as too Little. All this is not to suggest that there will be no need for additional lending facilities involving the use of government credit. But there is danger of providing too much money as well as danger of providing too little. Too much available money tends to encourage unsound and political borrowing, leading to dissipation of resources and grief to both borrower and lender. Such lending is inflationary in tendency, in that it creates large amounts of new spending power. And who knows whether our problem after the war is going to be one of underspending or of overspending?

Experience has indeed shown that comparatively modest sums of money,

wisely lent, go a long way. When Great Britain stabilized the pound in 1925, the total stand-by credits arranged amounted to only $300 million, none of which was ever actually used. The United States Treasury Stabilization Fund, which since its establishment in 1934 has conducted stabilization operations with some fifteen countries, has never had more than $50 million in use at any one time. The Export-Import Bank, which is generally recognized as having done a useful job in promoting American trade, has in the ten years of its existence authorized credits of about $1.2 billion, with actual disbursements of only $474 million. Outstanding loans in November 1944 were $223 million and undisbursed commitments were $367 million.

The point is that with good management and proper methods to stimulate the flow of private capital, the sound need for money is limited. The chief limitation is the power of borrowing countries to absorb money, to use it productively, and to repay it when the time comes. There is no favor to anyone, but rather a grave danger, in ignoring these limitations, getting countries loaded up with too much debt, and adding fuel to the inflationary fires now burning over most of the world.

Experience after World War 1. We have before us the painful lessons of what we did after the first World War. For more than a decade dollars flowed abroad freely from both public and private purses. Then the movement practically stopped. After the Armistice in 1918 our Government lent other nations over $3 billion -- partly for much needed relief, partly to pay for goods already ordered, and for other purposes. All of this, together with U. S. purchases for its army abroad, failed to prevent a precipitous decline in European currency values. Most of these loans have never been repaid.

Then began the outflow of private funds under government encouragement and in a wave of optimism for the decade of the "new era" in foreign trade. Private advances took three forms:

(1) Bank credit was used to finance trade largely by the use of the acceptance but secondarily through a number of special corporations organized for

foreign trade. Much of the bank credit was good and served a useful purpose, with the outstanding exception of German and Austrian credits. Most of the special corporations suffered heavy losses and were liquidated or absorbed.

(2) Foreign long-term bond issues were floated -- over $8 billion in all. Some were well and carefully made; others were justified only through rosy glasses. Some were to foreign governments and others to foreign companies. When the great depression hit the world economy, nearly half these bonds went into default and we stopped lending. Two lessons stand out in this experience: We lent too much and not carefully enough; we stopped lending too suddenly.

(3) The third type of funds was direct investments by American business in factories, mines, and other enterprises abroad. With investment went care, management, and continuity of policy. We didn't expect to be paid off when the depression fell upon us. Many companies had heavy weather. Some took losses. But, generally speaking, the results have been good. The standard of living has been raised in many countries, and the world is better for what was done. Many lessons have been learned of how and how not to make foreign investments.

This background of experience with foreign loans suggests careful exploration of what the real requirements of foreign borrowers are likely to be after this war, and of the degree to which they can be met by already existing facilities. It suggests also that as government enters the field of foreign lending, whether through national or international organizations, its loans should be made with great care.

ASSURANCE OF SOUNDNESS

With regard to the quality of international lending, the Fund and the Bank are in different categories. The proposed International Bank embodies satisfactory principles and procedures: (1) The loans have to be for specific purposes, (2) they have to be examined by a special committee, (3) they must offer promise of repayment, (4) the country whose currency is lent has a veto power covering all major transactions, (5) much of the operations may take the form of guarantees of

loans made through the market and subject to that review, and (6) the Bank will not make loans which can be made reasonably through private channels. If we assume good management, the institution should be able to operate soundly and effectively.

The Fund, on the other hand, has no such definite or effective provisions to safeguard it against misuse. The Fund is set up on the principle of a pool from which each member has a right to draw. This right is subject to the following conditions:

1. The purposes of borrowing must accord with the general purposes of the Fund. These purposes include -- besides promoting exchange stability and multilateral clearings -- such broad objectives as facilitating and expanding trade and employment.

2. Member countries will not be permitted, without action of the Fund, to borrow more than 25 per cent of their quotas in any twelve months' period nor to an amount where the Fund's holdings of their currencies would exceed 200 per cent of their quotas.

3. Member countries having ample resources of their own and using the Fund will be required at the end of each year to repurchase a certain portion of their currency held by the Fund, under complicated rules. This would retard, not prevent, use of the Fund's resources by countries which do not need the Fund.

4. Members using the Fund will pay a uniform service charge of 3/4 of 1 per cent on each transaction plus a graduated charge on Fund holdings of their currencies in excess of their quotas, such charge rising in accordance with a fixed schedule. It will normally take 10 years for the rate to rise to 5 per cent, when the Fund can fix rates at its discretion.

5. In case of serious scarcity of any particular currency, the Fund must formally declare such currency scarce and ration its supply.

6. The Fund may postpone exchange transactions with any member if its circumstances are such that, in the opinion of the Fund, they would lead to use of the resources of the Fund in a manner contrary to the purposes of the Agreement or prejudicial to the Fund or its members. This limitation appears to apply only to initial transactions between the Fund and a member country.

It will be noted that these limitations are of two types: (1) formulas which are so rigid in their operation as by their very inflexibility to require the insertion of waiver clauses that leave loopholes, and (2) formulas which are so general and vague in their terms that countries -- even with the best of intentions -- may easily differ as to their interpretation. It is questionable how

effective in practice these limitations would be, especially when the whole emphasis of the Fund, as expressed in the Articles of Agreement, is to give countries experiencing difficulties the benefit of every doubt. As opposed to the usual lending practice, which places the responsibility for making out a case for credit upon the borrower, the Fund goes on the theory that the borrower is entitled to credit unless the lender can make out a case to the contrary. And under the Bretton Woods plan the lender is an institution in which the United States would have only a minority vote as compared with actual and potential borrowers.

Confident assertions by proponents of the Fund that political considerations would not enter into the lending are hardly consistent either with practical experience in such matters or with the experience at Bretton Woods, where politics entered quite frankly into the determination of quotas. If it has been found necessary to make concessions of this nature in framing the program, what reason is there to suppose that further departures from principle may not be found expedient after the program has been put into operation?

The suggestion has been made regarding the Fund that the $2-3/4 billion the United States would be asked to put up would represent a small sum to risk for the sake of such approach to exchange stability and freedom from exchange controls as the Fund promises. In weighing the rather modest hoped-for advantage against the cost, it must be noted that $2-3/4 billion (which is in sober fact a very large sum) is our initial subscription. When the dollars we put into the Fund are exhausted, as they may well be, we shall then be faced with the same problem, in even more pressing form, that we are faced with today -- that is, of putting up dollars or running the risk of seeing this scheme of currency collaboration break down, with consequent centering of the responsibility for failure upon the United States.

The question is not just one of protecting our initial investment, but of not getting started on a policy of making doubtful loans. That policy would

subject us to an endless drain on our resources. It would be of little lasting benefit to the borrowers, and we should be running the risk of repeating the disastrous policies of the twenties and thirties when we lent too freely and then stopped altogether.

PROTECTION OF UNITED STATES PRINCIPLES AND INTERESTS

The United States has a definite national point of view in foreign relations represented by such concepts as those in the Atlantic Charter and the trade policies sponsored by Mr. Hull. In addition, the citizens of the United States have widespread commercial, financial, and cultural interests.

One of the greatest contributions the United States can render to the world is to make available to other countries the virility and productiveness of our system of private enterprise. The operations of any international financial institution could be conducted in such a way as either to encourage or to hamper the spread of the benefits of private enterprise. On the board of any such body there will be representatives of some countries which do not have the same understanding and appreciation of private enterprise that we do.

With these considerations in mind we may well ask the question: How much ought we lend through an international organization and how much through a national body of our own, such as the Export-Import Bank? In both the International Bank and the Monetary Fund we should be putting up the major share of the internationally valid funds, but we should have only a minority of the votes on the disposition of these dollars. In the case of the Bank we should have a veto power over loans floated in dollars, just as other countries would have such power in respect to loans in their currencies.

There is no such veto power in the case of the Fund. In other words, with the Fund we should be handing over to an international body the power to determine the destination, time, and use of our money. Countries with whom we might be having serious political differences, as was the case with Italy over Ethiopia

or Japan over Manchuria, or countries whose trade policies discriminated against the United States, might go right ahead using our dollars, and we should have little power to prevent it.

In many cases there will be substantial advantages in having other countries share with us the responsibility and risk of loans, and this can be done by the Bank effectively because of its structure. In loans to Italy, Poland, or Yugoslavia, for example, the European representatives on the Bank would know more about the facts than we, and could follow more closely the fulfilment from year to year of the condition of the loans; trade policies of neighboring countries, moreover, would affect the goodness of the loans.

In other cases where American interests are closely involved we may find it better to make the loans ourselves through a national organization such as the Export-Import Bank. Its continuance, with sound management, is therefore desirable; it can be especially useful in meeting emergency needs in the period before an international plan can begin operations; and further needs will arise.

The point of this section is that we have national principles and interests to protect and our lending policies will be affected by this just as are the lending policies of other countries. In the Bank plan we would appear to have adequate power of protection; in the Fund we do not.

TIMELINESS

Another question is: What should be done now and what should wait? Relief is, of course, a pressing necessity, and must be promptly and generously given. Starving people cannot rebuild their shattered homes and industries or think much beyond where the next meal is coming from. U N R R A has been set up to meet that situation. Along with relief comes reconstruction, which likewise must be tackled without delay. This is largely a question of local governments and their peoples, but it may require in part the use of medium and long-term capital, such as could be provided in the proposed Bank. Only as these preliminary

steps are taken, readjustments made, and an orderly economy again started can the stabilization part of the program have secure foundation.

The Congress will need to weigh this question of doing first things first and to determine whether it would be wise to make large sums of money available for stabilization during the transition period when, as we are learning through bitter experience in Greece and in Italy, economic conditions may be in confusion. Who knows today what the French franc is really worth when it sells at 2 cents in the official market and 1/2 cent in the black market? Who knows what kind of world we are facing for the next five years -- what political, social, and economic conditions?

To set up a stabilization fund under such conditions is to risk becoming involved in attempts to support uneconomic levels of currency, and to use up wastefully funds which should be used constructively at the right time and under the right safeguards.

FORM OF ORGANIZATION

The Bretton Woods plan sets up two separate organizations, a Bank and a Fund. But why should there be two? There would seem to be few advantages in such division of effort and many probable difficulties.

Any program such as has been proposed will require wise and experienced management. The number of men qualified for these highly important posts is limited; and the prospect of divided authority and likelihood of jurisdictional conflicts between two such institutions might prove serious handicaps in attracting such men. The Congress might well consider the potential confusion and extra burden upon the public of the activities of two institutions with possibly overlapping powers. Washington's wartime experience with multiple government agencies has shown us that where two agencies are created to work in the same general field the result is a tangle of red tape, increased expense, lost time, duplication of reports, and decreased efficiency. Moreover, if, as seems possible, the cooperating

nations should demand that the Fund be located in one country and the Bank in another, conflicts between the two would seem almost inevitable.

If the Congress should decide to create only a single institution, the Bank might by minor changes in its charter, as suggested later in this report, carry on the desirable functions of the Fund. The Bank might readily provide the meeting place for international consultation and agreement on monetary policies which the Bretton Woods program delegates to the complicated Fund. The other essential of the Fund is the provision of stabilization credits, which the Bank could supply with little change in its provisions and under more satisfactory safeguards.*

OTHER PARTS OF THE PROGRAM

Certainly a key question for the Congress is how this program fits into related elements of the international picture. A financial program cannot stand by itself. It can hope to be successful only as it is supported by effective agreements on international security and commercial policy. We need freedom from fear of war and freedom from hampering trade barriers, subsidies, and other economic weapons.

Among the resolutions adopted at the Bretton Woods Conference was the important declaration that the objectives and purposes of the International Monetary Fund "cannot be achieved through the instrumentalities of the Fund alone." The resolution declared that governments, in addition to implementing the Conference's monetary and financial proposals, should seek in the field of international economic relations "conditions necessary for the attainment of the purposes of the Fund." The ramifications of the problem are indicated by the following points specifically enumerated in the resolution as calling for agreement:

(1) Reduce obstacles to international trade and in other ways promote mutually advantageous international commercial relations;

---

* This suggestion was discussed by Dr. John H. Williams in Foreign Affairs for October 1944.

(2) Bring about the orderly marketing of staple commodities at prices fair to the producer and consumer alike;

(3) Deal with the special problems of international concern which will arise from the cessation of production for war purposes; and

(4) Facilitate by cooperative effort the harmonization of national policies of member states designed to promote and maintain high levels of employment and progressively rising standards of living.

In other words, the Conference recognized that currency stability is not a matter of monetary mechanisms alone, but depends upon actions and policies in other directions as well. This again suggests the need for keeping the financial mechanism we adopt now simple and flexible so that it can fit with the other elements in the program as they develop.

The British situation is a vital factor in any stabilization program, for Britain has been a great center of world trade and finance on which many parts of the world depend. Much of her substance has been drained off in this war. An essential step in world recovery is a plan for Britain. We ought to know more about that before making large commitments.

THE POST-WAR BUDGET

Involved in this whole question of viewing all the pertinent parts of the international picture is the need for putting together some budget of what our overall post-war expenditures may be. Our national resources are not unlimited, and the American taxpayer is already carrying a heavy burden. Economic stability in the United States is necessary to world stability, and we can maintain stability here only as we resist the inflationary pressures which arise from loose fiscal policies and as we avoid taxes which stifle enterprise. Before entering into large scale commitments for any part of the foreign program, it would seem reasonable to prepare an estimate of post-war needs.

AN ALTERNATIVE SUGGESTION

The foregoing questions for the consideration of the Congress present a complicated and difficult problem. As a contribution toward its solution, the Advisory Committee on Special Activities of the American Bankers Association and the Federal Fiscal Policy Committee of the Association of Reserve City Bankers and the Study Committee on Post-War Problems of the Bankers Association for Foreign Trade have agreed on the following specific suggestions. These proposals are approved by the Administrative Committee of the American Bankers Association, which was authorized by action of the Convention in September 1944 to speak for the Association.

(1) That the capital funds of the Export-Import Bank be increased to $2 billion, first to provide means for meeting promptly deserving credit needs prior to the setting up of an international bank, and second to enable the United States to make loans in which this country has special interest and which can be made more effectively through a national institution than through an international body.

(2) That the Johnson Act and any analogous provisions in the Neutrality Act now standing in the way of private loans to certain foreign countries be repealed.

(3) That the Bretton Woods plan for an International Bank of Reconstruction and Development be adopted, but with the following suggested changes:

(a) That the two paragraphs in the Bank agreement which make membership in the Bank dependent on membership in the Fund be deleted.

(b) That an article be added placing on the governors and directors of the Bank responsibility for arranging and negotiating agreements between the member countries with respect to the stabilization of currencies, removal of exchange controls as rapidly as practicable, and the general rules of procedure in carrying out monetary policies.

(c) That the Bank be authorized to collect information with respect to monetary and economic matters as outlined in the Monetary Fund proposal.

(d) That the lending powers of the Bank be broadened sufficiently to allow it to make loans, under the same safeguards as the other loans of the Bank, for the purpose of aiding countries in stabilizing their currencies.

As an administrative matter, it is presumed that with the adoption of the above recommendations, which do not include approval of the proposed Fund, the Bank would set up, under properly qualified management, a separate department to deal with currency stabilization. The experience of central banks constitutes a reservoir of information and experience which should be tapped by the Bank, and every effort should be made to see to it that qualified central bankers participate in the management of the Bank.

These provisions should enable the Bank to carry out all the essential purposes of the Fund in a sound and practical manner. The capital provided in the Bank plan should be adequate for all the purposes included in the amended proposal.* If, after a few years' operation, successful results demonstrate the need for more capital, there is nothing to prevent reconsideration of the subject at that time.

A certain number of safeguards should be thrown around the operations of the Bank in the enabling legislation which the Congress adopts in approving the Bank. These should include the provision that the American governor and director of the Bank should be appointed by the President with the advice and consent of the Senate and that they should be men of tested banking experience.

Provision should also be made for a United States directing committee consisting of officers such as the Secretary of State, the Secretary of the Treasury, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, a representative of the Federal Reserve Banks, the Foreign Economic Administrator, and the President of the Export-Import Bank. This committee might instruct the American governor or director of the Bank in important decisions of broad policy affecting the welfare of the country. The committee also

* Initially $9.1 billion; ultimately $10 billion.

might act as the agency of the United States in those matters in which the articles of the Bank call for a decision by this Government. There should also be provision for regular consultation between this committee and the appropriate Congressional committees and formal reports at regular and frequent intervals to the President and the Congress.

In addition to suggesting this amended plan, the banking committees again reaffirm the position which the American Bankers Association has taken repeatedly: that a primary foundation for the stabilization of currencies is the firm stabilization of the United States dollar in relation to gold.

The committees also reaffirm the position heretofore taken by the American Bankers Association that any plan for general stabilization of currencies can endure only if it is based on sound internal economic policies of the nations and on sound international economic policies, including trade arrangements which encourage a continued two-way flow of trade. Nations cannot repay foreign loans unless they can market their products. To bring this about, a continuing and vigorous effort will be necessary for the reduction of trade barriers, for the elimination of special privileges, discriminatory bilateral arrangements, etc. The committees look with favor on efforts in these directions being made in connection with the security program discussed at Dumbarton Oaks, including the proposed Social and Economic Council.

CONCLUSION

American bankers are keenly desirous of securing positive, constructive, and effective action in establishing means for international monetary cooperation. This is one of the essential steps in a broad program for world reconstruction and laying the foundation for lasting peace.

The interest of the bankers in this program is the same as that of their 50,000,000 customers, and of the people as a whole. The well-being of all Americans will be affected for good or ill by the action that may be taken on

these proposals. Any plan adopted will be a new experiment in international cooperation on a scale never before attempted. An international organization at best offers such serious practical operating difficulties that we must try hard to make this one simple, understandable, and workable.

The committees of three major banking organizations, having studied the Bretton Woods plans with great care, make the foregoing recommendations in the belief that, with able and experienced management, the plan proposed would prove sound and effective over a term of years in achieving the major objective of international financial cooperation. The committees believe that the Monetary Fund as drafted is unsound and would increase the already grave danger of inflation; would delay fundamental economic adjustments; and would fail to protect the principles and interests of the United States and her citizens. They believe that the simplified program they here suggest would accomplish the desired purposes more effectively and with much less danger. They believe that it would be accepted as readily by other countries and would wear better in the realities of this chaotic world.

The responsibility for decision lies with the Congress, in the light of broad political and economic as well as technical considerations. We hope the Congress will act positively and with as much promptness as is consistent with the careful scrutiny the problem requires.

2/5/45

Question:

The ABA report recommends that the Fund and Bank be combined.

Answer:

(a) Stabilization functions and investment functions are so distinct that they cannot be successfully combined. There is always danger that mistakes in stabilization operations will be covered up by long-period stabilization loans.

(b) A long-term stabilization loan cannot give the same effect as constant and broad cooperation in maintaining exchange standards. Countries will not commit themselves to maintaining alone the rules of the game because they are offered a loan when 43 other countries are free to do as they please.

(c) The ABA report provides merely that after the Bank is established an attempt be made to secure adherence to standards of exchange practice. If we wait to do this, countries will have committed themselves already to exchange control, fluctuating exchanges, discriminatory clearing agreements, and similar devices.

Question:

The ABA report states "the International Monetary Fund introduces a method of lending which is novel and contrary to accepted credit principles."

Answer:

(a) The Fund is not essentially a lending institution. It is a means of securing international cooperation for the establishment of exchange standards, "rules of the game."

(b) The method of giving help to countries under the Fund is a method, the sale of exchange under a gold value guarantee, which we have used in our own stabilization fund without the loss of one dollar.

(c) The same method has proved so successful that it has been used in the recent Anglo-Belgium and Anglo-Dutch bilateral agreements.

Question:

The ABA report states: "the borrowing under the Fund would be subject to certain limitations but with no stipulation that the loans should be good loans."

Answer:

(a) The Fund would not begin exchange transactions with countries unless they are in a position to keep exchange rates stable without excessive use of the Fund.

(b) No country could purchase exchange from the Fund except to help make payments for current imports and similar current transactions. The Fund could not be used for capital flight.

(c) The Fund could stop any country at any time from purchasing exchange if the country is acting contrary to the purposes of the Fund. This is so broad that the Fund could stop exchange transactions with any country whenever it wished.

(d) All of the currency holdings of the Fund are guaranteed against depreciation in terms of gold.

Question:

The ABA report states: "There are now few countries without substantial holdings of dollars and gold."

Answer:

(a) Countries have larger gold holdings than before, but their needs are far greater than ever before.

(b) A large part of their present gold and dollar holdings ($18 billion) will be used immediately after the war for reconstruction.

(c) The monetary reserves that will be available to countries will probably not exceed $15 billion, of which they will not use more than about $5 billion to keep stable exchange rates and to avoid exchange controls.

(d) The Fund gives countries a second line of reserves provided they use their own gold reserves to keep the rules of the game. In this way countries will be induced to use their own reserves for stabilization purposes and the resources that will be available for stabilization will be increased substantially.

Question:

The ABA report states: "Who knows the kind of world we are facing for the next five years -- the political, social, and economic conditions?" It proposes that we wait.

Answer:

(a) We do know that if nothing is done, the next five years will be a period of economic and social disorder and of political disturbance.

(b) If we do nothing and wait five years, countries will have committed themselves to a policy of economic warfare which they will not be able to give up later.

(c) Countries do need a period to adjust themselves to post-war conditions. The Fund does that through special arrangements. In the meantime, every country commits itself to abiding by the rules of the game.

February 5, 1945
11:30 a.m.

HMJr: Hello.

Operator: Mr. Brown in Chicago.

HMJr: Thank you. Hello.

Operator: Go ahead.

Edward E. Brown: Hello, Mr. Morgenthau.

HMJr: How are you?

B: Ned Brown.

HMJr: I thought you called me Henry.

B: All right, Henry.

HMJr: I suppose you've seen this release about A.B.A.

B: Yeah. I glanced at it; I didn't read all of it.

HMJr: Well, this is what I was thinking of doing, and I just wanted to see whether -- after all, after the talk that I had with them, I kind of got the feeling that they were going to say, "Well, this isn't the way we like it, but we'd rather have this than nothing." And of course, they didn't say anything like that in their story. Now, if I -- I have two -- I have a choice of two ways of going. One is to say nothing and let the thing ride itself out, or to come to grips with them this afternoon at a regular press conference and say, "The cards are down. I don't feel that this represents all the bankers in the country by any means; that I'm very disappointed that they want to take this on as this is a fight for forty-four nations trying to make for better financial stability." And say the same group in England is opposing it, headed by Lord Beaverbrook, and it -- it's unfortunate that a small group would take this position. And just call a spade a spade -- just -- might as well take it head-on.

B: Well, I don't know. It seems to me the better strategy, to me, would be, Henry, to say that they made their criticism; that after all an international agreement must necessarily be a

B:
Cont'd. compromise unless one nation is going to dominate the whole thing; that it isn't a question of whether it's possible to get such a plan as the A.B.A. wants, but the best that you could get was the -- the only thing that came out was a compromise arrived at at Bretton Woods and that,in your opinion, there is no chance of changing Bretton Woods -- it's Bretton Woods or nothing and it's aside from the question as to whether these things suggested by the A.B.A. are improvements or whether they're not -- I don't think....

HMJr: Well, would it upset you -- I'm -- this is just between the two of us, you see? Would it upset you at all if I got a little dirty?

B: Well, I think it would be a mistake.

HMJr: You do?

B: It won't upset me, but I mean, I think that -- I still believe as a result of that conference -- I haven't seen either Burgess or Fleming since then -- but I thought that something like this would come out. I've seen some of their earlier drafts. This is toned down somewhat from it. But they feel that for their own purposes, they've got to put this out, that when it comes to testifying, whenever it can be established, which I should think the State Department and delegates could easily enough establish -- if it was this or nothing -- that it wasn't impossible to amend ....

HMJr: Yeah.

B: .... the agreements suggested by the A.B.A.; that you'd find that Burgess and Fleming and a good many other people will say, "Well, Bretton Woods is a lot better than nothing."

HMJr: Yes. Well ....

B: I think it would be a mistake in tactics to come out -- it gives them a bad faith -- it will be ....

HMJr: No, I wouldn't say that.

B: .... a minority group which was trying to block something and so forth. It's a case of the worst enemy of the good cause is always the best cause. Nothing in this world is ever perfect.

HMJr: Yeah.

B: And ....

HMJr: Well ....

B: .... you've got -- this -- the Bretton Woods agreement is much better than nothing and that's the best you can get.

HMJr: Yeah, but they don't say that.

B: Well, I don't know. They don't say that -- but I mean, they don't -- neither do they negative that.

HMJr: No. Well, I wanted to talk to you. I've got three or four hours to think it over. The only -- the thing that bothers me is papers like the Times and the Tribune. They've taken this thing up, you see? They put this out two or three days in advance and these papers have had a chance editorially to glow over this thing: what a wonderful report this is. And I had felt after our conference here, they might have sent in a report -- just what you're saying, but that's completely absent.

B: Well, that's completely absent, but -- I mean, I don't think that Burgess could say it now or could say it until the time comes for the Congressional hearing.

HMJr: Well, it may be too late then.

B: And I wouldn't do anything at the present time which would make it impossible for him to say it.

HMJr: Well, let's leave it -- if after thinking it over, I should get a little tough in my talk, it's not going to upset you?

B: No.

HMJr: What?

B: No.

HMJr: That's the main thing I want to know. If it's going to upset you, then it isn't worth it. But I'll see.

B: Uh....

HMJr: What?

B: Yeah. Well, as I say, if it's a question of accusing them of bad faith ....

HMJr: No, I'm not ....

B: .... or something of the sort, then that would upset me.

HMJr: No, I'm not ....

B: I'm sure that isn't ....

HMJr: No, I'm not going to say that and I'm not going to get personal.

B: That's threatening -- that the banks are getting themselves in bad or something by ....

HMJr: No.

B: .... adopting this attitude.

HMJr: No. But I don't think that the A.B.A. speaks for all the bankers by any means.

B: No, it speaks -- it don't speak for all of them. I mean, like all this -- it never amounted to anything until after the -- Mr. Roosevelt was elected the first time, because it never had much influence in legislation, but I mean, the Administration wouldn't deal with the clearing houses in the larger cities and they had to deal with somebody and they dealt with the A.B.A. That's the way the A.B.A. -- but it's got a membership in practically every bank in the country.

HMJr: Well, I appreciate this frank talk and, as I say, it's just between the two of us.

B: Yeah.

HMJr: If you have any ideas in the next few days, give me a ring, will you?

B: Yeah, I will, Henry.

HMJr: I thank you.

B: All right. Bye.

February 5, 1945
2:31 p.m.

HMJr: Hello.

Sam Rayburn: Yes, Henry.

HMJr: How are you, Sam?

R: Pretty Good.

HMJr: How do things look in the House for Henry Wallace?

R: Oh, I think it will just be a straight out party fight. We'll lose a few votes but I think it will be all right.

HMJr: Well, will they have those amendments of Jesse Wolcott ....

R: I hope not.

HMJr: What?

R: I think we can control that.

HMJr: You think you can control it?

R: I mean in the Committee, and then I assume they will be offered on the floor, but I think we'll get along with them.

HMJr: Good.

R: That's my opinion right now if we can get our people here, and I think we can.

HMJr: I think it's awfully important that we don't let them shove us around too much.

R: Well, of course, this crowd -- they don't know it, but what they're doing, the first thing you know, they'll mess around here and get Henry Wallace confirmed with all these powers.

HMJr: Yeah.

R: What they've been trying to take away from him.

HMJr: Yeah.

R: I think maybe we can handle it. I don't know.

HMJr: Fine. Well, if I can be any help, let me know.

R: We're seeing, Henry. Good bye.

HMJr: What?

R: Fine. Thank you.

HMJr: Thank you.

February 5, 1945
2:54 p.m.

153

HMJr: Hello. Hello.

Operator: Mr. Canfield.

HMJr: Go ahead.

Operator: Go ahead.

HMJr: Hello.

Cass Canfield: Hello.

HMJr: Morgenthau speaking.

C: How do you do, sir? This is Cass Canfield.

HMJr: Yeah. I was just thinking about you.

C: Yeah. Well, I've done some checking on Loth.

HMJr: Yeah.

C: And talked to people in the office here.

HMJr: Yes.

C: And we think he would be a very good choice.

HMJr: Fine.

C: He writes well, apparently is a very conscientious research man....

HMJr: Yes.

C: .... and I think he'd be very useful.

HMJr: Good. Well, I'm going to see him in a little while and I think we'll be able to get together.

C: Well, that's fine.

HMJr: Am I correct or incorrect in the feeling that you people aren't as much interested in a book now as you were when you were down here?

C: I would say, if I may, you're not correct.

HMJr: Well, I just wanted to know.

C: Yeah. No, I don't think there is any -- any change at all.

HMJr: Well, I didn't know. I felt that -- maybe it was because you were going away or something that I got that feeling.

C: No, not a bit, and Fisher is very keen about it, and he's been in pretty close touch with various people in your office.....

HMJr: Good.

C: .... in the last two or three weeks.

HMJr: But you feel this man is thoroughly competent?

C: Oh, I do, yes. You mean Fisher?

HMJr: No, Loth.

C: Loth. Yes, I think he'll do an excellent job.

HMJr: Fine.

C: Yeah.

HMJr: Fine. Thank you so much.

C: All right. Good bye.

February 5, 1945
3:55 p.m.

PRE-PRESS

Present: Mr. D. W. Bell
Mr. O'Connell
Mr. White
Mr. Blough
Mr. Gaston
Mr. Shaeffer
Miss Chauncey
Mrs. McHugh

MR. SHAEFFER: They have this outside.

MR. BELL: That's the thing Ted worked up.

H.M.JR: Well, what do I do with it?

MR. BELL: Nothing, just give it out.

H.M.JR: Just what?

MR. GASTON: I cleared a little statement for Pehle, I hope you don't mind, along the lines he talked about this morning.

H.M.JR: Did you give out this thing on this?

MR. SHAEFFER: They just got it yesterday.

H.M.JR: Now, what about the Supreme Court decision on collective customs.

MR. O'CONNELL: That was the Barr case. They handed down a decision today at noon. The Circuit Court of Appeals held where an importer showed he actually purchased the goods at a free rate or other rate differing from the official rate, that that is the rate that the customs people are to apply to the importation for the purpose of determining what the duty will be. We lost the case. We won in the

Circuit Court and lost in the Supreme Court.

MR. GASTON: Johnson feels we ought to have legislation.

MR. O'CONNELL: We have already suggested legislation.

H.M.JR: Well, I will do the best I can on this ABA. If you people don't mind, I want to ask you not to answer unless I ask you to, because I may not handle this just right, but I think it is a better way to proceed on these things, and if I want some help, I will ask.

MR. GASTON: I think you are quite right.

H.M.JR: If you don't mind--I am not looking at anybody, I am looking down.

MR. GASTON: You can look at me if you want to.

H.M.JR: No, I meant to say that I know all of you well enough, but it gets me a little off my track, and this one particularly is going to be difficult, and I know Bell may want to kick me in the shins.

MR. BELL: I will be right after you. It will be hard to hold me back on this one.

H.M.JR: They will all try their best to put some words in my mouth. I took a nap for thirty-five minutes. I don't know which would be best. Anyway, does anybody have any last advice?

Harry?

MR. WHITE: No.

H.M.JR: Here goes!

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Monday, February 5, 1945.

Press Service
No. 45-1

In announcing January United States Savings Bond sales of $1,074,180,000, Secretary Morgenthau pointed out that conversion of these bonds (Series E, F, and G) by their owners into cash has steadily declined since the inauguration of the October 2, 1944, redemption plan.

The redemptions and percentages of the outstanding were as follows:

	Cash	Percentages
October, 1944	$395,000,000	1.16
November	376,000,000	1.08
December	359,000,000	0.98
January, 1945	333,000,000	0.89

This reduction in the percentage of redemptions reflects an increased realization on the part of the American people of the soundness of the Treasury's advocated policy to "Buy and Hold War Bonds," Mr. Morgenthau observed.

-oOo-

FEB 5 1945

My dear Mr. Grew:

I have your letter of January 31, 1945 enclosing the minutes of the first meeting of the Cabinet Committee on Legislative Programs held on January 26, 1945. I have no suggestions as to the content of the minutes, as they seem to me to be adequate.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable Joseph C. Grew,
Acting Secretary of State,
Washington 25, D. C.

JJO'C:mv

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

O Connell 26 M. MM

159

DEPARTMENT OF STATE
WASHINGTON

January 31, 1945

CONFIDENTIAL

My dear Mr. Secretary:

Assuming it is desirable to keep brief records of the meetings of the Cabinet Committee on Legislative Programs, I am enclosing the minutes of the meeting held January 26, 1945.

If you wish any correction made, please let me know.

Sincerely yours,

Joseph C. Grew

Acting Secretary.

Enclosure:

Minutes of the meeting held January 26, 1945.

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

Nel

Minutes of Legislative Program Committee
January 26, 1945 - 4:00 p.m.

The first meeting of the Committee was held in Secretary Morgenthau's office on Friday, January 26, 1945, at 4:00 p.m. Present were Acting Secretary of State, Mr. Grew, presiding; Secretary Morgenthau; the Director of the Budget, Mr. Smith. There were also present during the meeting Assistant Secretary of State Acheson, Assistant Secretary of the Treasury White, the General Counsel of the Treasury, Mr. O'Connell.

It was decided not to request the White House, for a week or two, to send to the various agencies the letter approved by the President notifying them of the creation of this Committee. In the meantime the Bureau of the Budget would prepare a list of the departments and agencies to which such a letter should be sent. The agencies and departments interested in the legislation listed in the Memorandum to the President would include the FEA, the Export-Import Bank, the Department of Agriculture, the Department of the Interior, the Petroleum Administrator for War, the Federal Power Commission, and the Civil Aviation Administration.

Mr. Acheson

Mr. Acheson mentioned that at an early meeting of the Committee action in regard to legislation upon the following would require discussion:

1. The joint resolution on membership in the International Organization for Food and Agriculture.
2. Extension of the Trade Agreements Act.
3. Ratification by the Senate of the Sanitary Conventions recently signed.
4. Export Import Bank legislation.
5. Repeal of the Johnson Act if that was not included in the Bretton Woods legislation now under discussion.

The meeting adjourned at 4:30 p.m.

February 5, 1945

My dear Mrs. Patterson:

An article in your paper of Sunday, February 4th, under the heading "New Yorkers Given Choice Federal Posts" contains the following: "Secretary of the Treasury Morgenthau is the son of a Wall Street lawyer and investment banker."

This statement about my father is wholly incorrect. He never practiced law in Wall Street. As a matter of fact, he stopped practicing in 1900, and he never was an investment banker. If you will take the trouble to look him up in "Who's Who in America" you will find an accurate summary of his business activities, which I believe are generally recognized as having been above reproach or criticism.

Yours truly,

(Signed) H. Morgenthau, Jr.

Mrs. Eleanor Medill Patterson,
Washington Times Herald,
Washington, D. C.

gpk

DRAFT

My dear Mrs. Patterson:

~~In~~ An article in your paper on Sunday February 4th, ~~you say, and I quote,~~ "Secretary of the Treasury Morgenthau is the son of a Wall Street lawyer and investment banker."

This statement about my father is wholly incorrect. He never practiced law in Wall Street. As a matter of fact, he stopped practicing in 1900, and he never was an investment banker. If you will take the trouble to look up him in "Who's Who in America", you will find an accurate summary of his business activities, which I believe are generally recognized as being above reproach or criticism.

Yours truly,

Under the heading "New Judges Given Federal Posts" Cleveland Patterson the following

Times Herald
WASHINGTON, D. C.
FEB 4 1945

New Yorkers Given Choice Federal Posts

New Yorkers are in the saddle under the New Deal. Citizens of the Empire State, where internationalism flourishes, are preponderant in the cabinet, in key Administration posts, the White House Palace Guard and in the Supreme Court.

Capture of high posts by New Yorkers had brought many Wall Streeters into the service of an Administration, which began on March 4, 1933, with President Roosevelt's declaration that the money changers had fled from their seats in the temple of our civilization.

Ranking New Yorker

The ranking New Yorker in the Government is President Roosevelt, Christmas tree farmer from Hyde Park, N. Y. In the White House as No. 1 confidant is Harry Hopkins, who lists himself as a citizen of Washington, but who came to the Capital from New York city, where he was a social worker for many years.

Three other members of the White House Palace Guard are New Yorkers—Samuel I. Rosenman, former judge; Anna Rosenberg, self-styled labor expert, and Robert Sherwood, playwright and ghostwriter de luxe.

Highest on the list of New Yorkers, who hold no office in the Administration but wield tremendous influence in the New Deal is Sidney Hillman, labor and political leader, who was born under the shadow of Moscow, but operates from New York city. A somewhat less influential New Yorker is Edward J. "Paving Blocks" Flynn, former Democratic national chairman.

Five in Cabinet

Five members of the Cabinet are New Yorkers, although one, Secretary of State Stettinius, gives Virginia as his home. Stettinius came to the New Deal from New York city where he was president of the United States Steel Corporation.

Stettinius is also a leading Wall Street gift to the New Deal. He is the son of a late J. P. Morgan partner. Morgan interests control the steel company of which he was president.

Wall Street also claims three other places in the Cabinet. Secretary of War Stimson was a Wall Street lawyer, Secretary of the Navy Forrestal was a Wall Street broker, and Secretary of the Treasury Morgenthau is the son of a Wall Street lawyer and investment banker.

On Supreme Court

The fifth New Yorker in the Cabinet is Secretary of Labor Perkins, the first woman Cabinet member. Neither Wall Street nor labor claim her.

Two of the nine men on the Supreme Court are from New York State—Chief Justice Stone and Justice Jackson.

In the State Department in addition to Stettinius, Assistant Secretaries Nelson Rockefeller and James Clement Dunn are New Yorkers. New Yorkers holding high ambassadorial posts include W. Averell Harriman at Moscow, Laurence A. Steinhardt at Ankara, Turkey and Leland Harrison at Geneva, Switzerland.

In the War Department, Stimson is served by three New Yorkers. They are Undersecretary of War Patterson, a former Wall Street lawyer; Assistant Secretary for Air Robert A. Lovett, and Assistant Secretary John J. McCloy.

In the Navy Department Forrestal is served by Assistant Secretary Artemus Gates, of New York. There is a long line of New Yorkers in the Treasury Department headed by Assistant Secretary Herbert Gaston and Collector of Internal Revenue Joseph D. Nunan jr.

In the Justice Department two out of six ranking assistants are New Yorkers—Wendell Berge and Francis M. Shea. In the Department of Commerce Assistant Secretary William H. M. Burden is a New Yorker.

In Alphabetical Agencies

New Yorkers have captured top places in many important alphabetical agencies. Among these are Leland Olds, chairman of the Federal Power Commission; Byron Price, director of the Office of Censorship; Elmer Davis, director of the Office of War Information; William H. Davis, chairman of the War Labor Board, and Ganson Purcell, chairman of the Securities and Exchange Commission.

Written by Barth

First Draft AFofL Speech - 2/5/45 -

The war in Europe is approaching its climax. No war in history has ever been waged with such fury or on so vast a scale. You can gauge the intensity and the vastness of this war from a fact revealed by General Marshall last month. In two months' time alone, General Marshall reported, we sent more supplies to the European Theater of Operations than were sent during all of World War One. And this leaves out of account all that we sent during the same period to the Pacific and, through Lend-Lease, to our Allies.

In terms of money, the war, so far, has cost us two hundred twenty-nine billion dollars. This is more than seven times the total cost of World War One.

Today we are paying for about forty-six per cent of the current cost of the war through taxes. These taxes are being paid by virtually all of the American people. The number of individual income tax payers has increased from four million before the beginning of the defense program to fifty million at the present time. Never before has a democracy taxed itself on such a broad base.

The people are also sharing on a vast scale in lending money to the Government. Before the war, there was only a handful of Government bondholders. But since the war began, eighty-five million persons have bought Government Bonds. And it is

worth noting, I think, that of the total value of bonds bought during the war, nearly half -- 44 per cent to be exact -- came from workers through payroll deductions.

There is an old saying: "To carry on a war, three things are necessary - money, money and more money." We know today, of course, that this is not so. The really important things are men and weapons. But money is still important. It represents a claim on the materials out of which weapons are made. And when we give up our money, we give up our claim on these materials.

America's productive equipment and efficient labor force are our trump cards in this war. When you use your money to pay taxes or to buy War Bonds, it means that a portion of this equipment and of this labor, which might otherwise have been devoted to making your luxuries and your comforts, is instead devoted to turning out more and better war weapons.

It is these better weapons which have made our casualties so much lower than those of our enemies. To a significant degree, we have been able to exchange equipment for casualties -- that is, money for lives. This has been made possible by your collective resolve, expressed through Congress, to pay taxes; and by your individual resolve to buy War Bonds.

You men and women who are members of the American Federation of Labor have a continuing dual responsibility -- the actual production of the war weapons that have shielded and saved the lives of our fighting forces; and the setting aside of your money so that the American productive machine will be diverted from making the things of peace and devoted to winning the war as speedily as possible, and with the least possible cost in lives. Your task, like that of the men in combat, is now approaching its climax.

Samuel Rosenman
Draft 2/5/45-

The war in Europe is approaching its climax. No war in history has ever been waged with such fury or on so vast a scale. You can gauge the intensity and the vastness of this war from a fact revealed by General Marshall last month. In two months' time alone, General Marshall reported, we sent more supplies to the European Theater of Operations than were sent during all of World War One. And this leaves out of account all that we sent during the same period to the Pacific and, through Lend-Lease, to our Allies.

In terms of money, the war, so far, has cost us two hundred twenty-nine billion dollars. This is more than seven times the total cost of World War One.

Today we are paying for about forty-six per cent of the current cost of the war through taxes. These taxes are being paid by virtually all of the American people. The number of individual income tax payers has increased from four million before the beginning of the defense program to fifty million at the present time. Never before has a democracy taxed itself on such a broad base.

The people are also sharing on a vast scale in lending money to the Government. Before the war, there was only a handful of Government bondholders. But since the war began, eighty-five million persons have bought Government Bonds. And it is

worth noting, I think, that of the total value of bonds bought during the war, nearly half -- 44 per cent to be exact -- came from workers through payroll deductions.

Insert

There is an old saying: "To carry on a war, three things are necessary - money, money and more money." We know today, of course, that this is not so. The really important things are men and weapons. But money is still important. It represents a claim on the materials out of which weapons are made. And when we give up our money, we give up our claim on these materials.

America's productive equipment and efficient labor force are our trump cards in this war. When you use your money to pay taxes or to buy War Bonds, it means that a portion of this equipment and of this labor, which might otherwise have been devoted to making your luxuries and your comforts, is instead devoted to turning out more and better war weapons.

It is these better weapons which have made our casualties so much lower than those of our enemies. To a significant degree, we have been able to exchange equipment for casualties -- that is, money for lives. This has been made possible by your collective resolve, expressed through Congress, to pay taxes; and by your individual resolve to buy War Bonds.

You men and women who are members of the American Federation of Labor have a ~~continuing~~ dual responsibility -- first, the actual production of the war weapons that have shielded and saved the lives of our fighting forces; and, second, ~~the setting aside of your money so that the American productive machine will be diverted from making the things of peace and~~ devoted ~~to winning the war as speedily as possible, and with the least possible cost in lives. Your task, like that of the men in combat, is now approaching its climax.~~

Insert for A. F. of L. Broadcast

All of the securities issued to finance this war have been subject to the Federal income tax. This contrasts with the last war in which all of the securities were either wholly or partially exempt from Federal income tax. This is an important step toward more democratic war finance, since the privilege of tax exemption -- which all receive at the same price -- is worth nothing at all to the poorest subscribers but is worth a great deal to those in the high income brackets.

The average interest cost on the securities issued during this war is less than half that of the last war. Allowing for the fact that the interest on the securities issued in this war is taxable, the net cost per dollar borrowed is only about one-third that of the last war.

February 5, 1945

Changes 7/5/45 - made by Turner in Second Draft -

The war in Europe is approaching its climax. No war in history has ever been waged with such fury or on so vast a scale. You can gauge the intensity and the vastness of this war from a fact revealed by General Marshall last month. In two months' time alone, General Marshall reported, we sent more supplies to the European Theater of Operations than were sent during all of World War One. And this leaves out of account all that we sent during the same period to the Pacific and, through Lend-Lease, to our Allies.

In terms of money, the war, so far, has cost us two hundred twenty-nine billion dollars. This is more than seven times the total cost of World War One.

Today we are paying for about forty-six per cent of the current cost of the war through taxes. These taxes are being paid by virtually all of the American people. The number of individual income tax payers has increased from four million before the beginning of the defense program to fifty million at the present time. Never before has a democracy taxed itself on such a broad base.

The people are also sharing on a vast scale in lending money to the Government. Before the war, there was only a handful of Government bondholders. But since the war began, eighty-five million persons have bought Government Bonds. [redacted] it is

also worth noting, I think, that of the total value of series E bonds bought during the war, nearly half -- ~~44~~ 46 per cent to be exact -- came from workers through payroll deductions, including their extra purchases of E bonds for cash during drives.

There is an old saying: "To carry on a war, three things are necessary - money, money and more money." We know today, of course, that this is not so. The really important things are men and weapons. But money is still important. It represents a claim on the materials out of which weapons are made. And when we give up our money, we give up our claim on these materials.

America's productive equipment and efficient labor force are our trump cards in this war. When you use your money to pay taxes or to buy War Bonds, it means that a portion of this equipment and of this labor, which might otherwise have been devoted to making your luxuries and your comforts, is instead devoted to turning out more and better war weapons.

It is these better weapons which have made our casualties so much lower than those of our enemies. To a significant degree, we have been able to exchange equipment for casualties -- that is, money for lives. This has been made possible by your collective resolve, expressed through Congress, to pay taxes; and by your individual resolve to buy War Bonds.

You men and women who are members of the American Federation of Labor have a continuing dual responsibility -- the actual production of the war weapons that have shielded and saved the lives of our fighting forces; and the setting aside of your money so that the American productive machine will be diverted from making the things of peace and devoted to winning the war as speedily as possible, and with the least possible cost in lives. Your task, like that of the men in combat, is now approaching its climax.

FEB 5 1945

Dear Mr. Pike:

I appreciate very much your thoughtful and generous offer of the Ernie Pyle photographs. I had heard of the success of the Texas promotion and am sure that we can put to excellent use the two or three photographs that you have so kindly suggested you will secure and present to our War Bond program.

You can send them in care of my office and I will turn them over to the War Finance officials for appropriate use.

With my sincere thanks to you for thinking of War Bonds in connection with these valuable pictures, I am

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Milton J. Pike
Scripps-Howard Newspapers
1013 Thirteenth Street, N. W.
Washington, D. C.

TRC:RPP

Miscellaneous Letters
C 520

Scripps-Howard Newspapers

G. B. PARKER
EDITOR IN CHIEF
1013 THIRTEENTH ST. NW
WASHINGTON, D. C.

January 29, 1945.

Dear Mr. Fitzgerald:

Here is the letter to the Secretary I mentioned to you on the phone today, and which I'll appreciate your handing to him when the opportunity presents.

As you know, I am Mr. Parker's assistant. I would like to contribute something to the cause and this seemed the most appropriate.

Many thanks for your help, and with all best, I am,

Sincerely,

M. J. Pike

Milton J. Pike

Mr. Edward J. Fitzgerald
Office of the Secretary
of the Treasury
Washington, D. C.

Enclosures

SCRIPPS-HOWARD NEWSPAPERS

G. B. PARKER
EDITOR IN CHIEF
1013 THIRTEENTH ST., N. W.
WASHINGTON, D. C.

January 29, 1945.

Dear Mr. Secretary:

The attached marked clipping from today's Washington Daily News gave me an idea:

Would you be interested in having two or three of the 16x20 inch enlargements of the Ernie Pyle photograph for use in auctioning off to the highest bidder at a war bond rally?

The portrait I refer to is the one now being used on the jacket of Pyle's "Brave Men" and has been published widely throughout the country. You may have seen one of the 16x20 enlargements in the window at Brentano's some weeks ago when the book was first put on sale.

The picture is one I took of Ernie Pyle in 1943, following his return from the Sicilian campaign. You may recall that it was first published in the Hecht Co. Third War Loan series on the back page of The News on September 28, 1943.

I'll be glad to make these up and donate them in the interest of the War Bond Campaign if you think they might be helpful.

Yours sincerely,

M. J. Pike

Milton J. Pike

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

Attachment

Cold Germs Stay Alive in Cold Drops

The [illegible] danger of spreading germs by contaminating medicines. For example, a young mother puts drops in her child's nose for relief of a cold and then puts the dropper back into the nose-drops bottle.

The nose drops ordinarily used to relieve cold symptoms do not contain germ-killing chemicals.

Some, at least, of the germs picked up in the nose by the dropper and transferred to the medicine in the bottle can live and grow quite well in the bottle of nose drops. Next time the medicine is dropped into your nose or your child's it is likely to carry germs back into the nose.

The California doctors advised buying nose drops in a bottle with a plain screw cap and with the dropper separate. Pour out the amount of nose drops needed each time into a small cup or glass. Throw away what is left instead of putting it back into the bottle. Wash thoroughly the small container and the dropper and do not put the dropper back into the bottle.

Ernie Fetches $2,000,000

In a recent Dallas, Tex., War Bond rally, a pencil and crayon portrait of Ernie Pyle was sold for two million dollars in War Bonds.

SHOPPER'S COLUMN

LILLIAN CRAMER'S January Sale of permanents is ending Wednesday . . . no time to waste if you you need a new wave . . .

SUCCESS VIA CHARM

YOUNG women embarking on a business career will find the

HAIR TINTING SPECIALISTS

MR. EMILE says . . . "don't let gray hair dull your life." In his

FEB 5 1945

Dear Sir John:

The progress of the representatives of the United States and of the United Kingdom in reaching agreement with respect to our mutual problems in relation to double taxation has given me great satisfaction. I was, therefore, gratified to receive your letter of January 19, 1945, expressing your interest and pleasure in the arrangements made as a basis for a treaty and your willingness to accept the suggestion of the representatives of the United States with respect to the withholding rate.

In negotiations and agreements of the character and importance of this proposed treaty, it is natural that there should arise many important problems for which it is difficult to find the appropriate solutions. In reaching an understanding, it is, of course, necessary for the representatives of both parties to accept solutions which at first blush seemed not entirely consistent with the views of their respective countries. Your sympathy and understanding and whole-hearted cooperation and that of the representatives for your country, have contributed greatly to the promise of a successful conclusion of this matter. Especially in view of this necessary give and take on a large number of points, the various proposed provisions taken as a whole seem to me to provide a satisfactory and balanced solution of the many problems presented.

I wholly agree with you that upon completion of this matter we shall have reason to believe

that a significant contribution has been made to international trade and to the relationship of good will existing between our two countries.

Sincerely,

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

Sir John Anderson
Chancellor of the Exchequer
The Treasury
White Hall
London, England

RWWales:hdr 2-2-45

19th January, 1945.

My dear H. Morgenthau,

I have received a report from the United Kingdom representatives on the discussions that took place at Washington in relation to double taxation and I am very glad to find that with the exception of the income tax treatment of dividends the representatives of the two Governments were able to reach an agreement on the various issues arising which provides a satisfactory basis for a treaty between the United States and the United Kingdom for relief from double taxation.

As regards the reserved question of the treatment of the dividend, which boils down to the incidence of the United States withholding tax on dividends paid to this country, I had hoped that the United States would agree that where one country invests ordinary capital in trading activities in the other a solution might be found in each country levying only the tax chargeable on the trading profit and refraining from levying any further tax on the dividend paid out of the taxed profit, which would involve our abandoning our surtax on dividends and your abandoning your withholding tax on dividends, or that at least the United States withholding rate on dividends coming to this country would not exceed the lowest rate for any other country. But I appreciate the importance attached by the United States representatives to the principle of parity in charge and relief which underlies their proposal and I have come to the conclusion that we should accept the United States proposal that the withholding rate should be not greater than 15 per cent and should be fixed at 15 per cent for two years, to be then reviewed in the light of the then circumstances.

/I will

The Hon. Henry Morgenthau, Jnr.

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

DEPARTMENT OF STATE
WASHINGTON

February 5, 1945

My dear Mr. Secretary:

I have received your letter of January 30, 1945 indicating your desire to appoint a financial adviser on the American delegation to the European Advisory Commission in London.

We are consulting Ambassador Winant with respect to the possible appointment of Mr. William H. Taylor to this position and will communicate with you again immediately upon the receipt of a reply from London.

Sincerely yours,

Acting Secretary

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

Congress of Industrial Organizations

CIO

718 Jackson Place, N. W. Washington 6, D. C.

OFFICE OF
THE PRESIDENT

EXECUTIVE 5581

Feb. 5, 1945.

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

Dear Mr. Secretary:

I have for acknowledgment your letter of February 1st concerning the designation of a representative with whom your Office of Procurement can consult with respect to the disposal of certain consumer goods and heavy construction machinery surplus to the needs of our government.

Mr. Ted Silvey, Chairman of the CIO Reconversion Committee will be glad to handle this matter for us. He can be reached here at this address.

Thank you for calling this matter to my attention.

Sincerely yours,

Philip Murray

Philip Murray

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE
February 5, 1945

TO Secretary Morgenthau

FROM J. W. Pehle

We have been considering for some time the advisability of abolishing the Treasury Procurement Division's regional office in Washington, D. C. and, in place thereof, opening a new regional office in Philadelphia.

There is attached hereto a memorandum indicating the basis for our recommendation that this change should be made.

If you are in agreement, it will be appreciated if you will so indicate below.

J. W. Pehle

Approved: H. Morgenthau
H. Morgenthau, Jr.
Secretary of the Treasury

Date: Feb 13, 1945

TREASURY DEPARTMENT

WASHINGTON 25

FEB 5 1945

TO: Secretary Morgenthau

FROM: J. W. Pehle

SUBJECT: Proposed Establishment of a Regional Office in Philadelphia

We have been considering for some time the advisability of changing our regional organization with respect to Region III, which now includes the States of Virginia, Maryland, Delaware, North Carolina, and the District of Columbia, to obtain a more equitable distribution of operations in connection with the Surplus Property Program.

In analyzing this problem, consideration was given to what we believe are the two primary factors that should determine the establishment of a region and the location of the regional office within a region:

1. The location of prospective buyers of surplus property, and

2. The physical location of the property.

It is proposed that the present Regional Office of the Procurement Division at Washington, D. C. be abolished, the State of North Carolina be shifted from Region III to Region VI (Atlanta), and the State of Pennsylvania be separated from Region II (New York) to be combined with the following States now contained in Region III: Virginia, Maryland, Delaware, and the District of Columbia. It is proposed that the headquarters of this new Region III be established in Philadelphia, Pennsylvania.

A summary of the analysis leading to this conclusion and recommendation follows:

It is generally agreed that a large proportion of surplus consumer goods will be sold to wholesalers. The distribution of wholesale sales is a reasonable index of the probable activity of a regional office in the sale of surplus property. An analysis of the wholesale sales in 1939 shows the following distribution, on the basis of the present regional set-up:

	Percent of Total Wholesale Sales
Region II - (New York City) New York, New Jersey, Pennsylvania	34.2
Region III- (Washington, D. C.) Delaware, Maryland, Virginia, North Carolina, District of Columbia	4.8
Region IV - (Atlanta, Georgia) Tennessee, South Carolina, Mississippi, Alabama, Georgia, Florida	5.7

On the basis of the proposed regional set-up, the distribution of wholesale sales in 1939 is as follows:

Region II - (New York City) New York, New Jersey	28.1
Region III- (Philadelphia) Pennsylvania, Delaware, Maryland, Virginia, District of Columbia	9.3
Region IV - (Atlanta) Tennessee, North Carolina, South Carolina, Mississippi, Alabama, Georgia, Florida	7.2

The re-shuffling of the states among the three regions decreases the load of the present Region II, and increases the load of the other two regions. The transfer of the Regional Office from Washington, D. C. to Philadelphia places it in a city which was the fourth ranking city in the country in 1939 as far as wholesale trade activity is concerned. The three higher ranking cities are New York, Chicago, and Boston, each of which has a regional office. It is interesting to note that wholesale sales in the four cities combined represented more than 36 percent of the total for the country in 1939.

The transfer of the Regional Office from Washington to Philadelphia will place the office in an area which has a large amount of storage space in the surrounding areas and will provide prospective buyers of surplus property easy access to the property for the purpose of inspection. Although no data are available at present on the amount of storage facilities available in the Philadelphia area, it is known that large Army and Navy depots are located there and that Philadelphia is an important supply point.

Finally, it should be noted that the re-shuffling of the regions would still maintain the same number of regions in the country thereby avoiding the administrative difficulties of establishing a new regional office.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE February 5, 1945

TO Secretary Morgenthau

FROM Mr. Haas

Subject: The Business Situation,
Week ending February 3, 1945.

Summary

Transportation: Severe weather continued to tie up freight traffic in Eastern areas last week, and necessitated another 4-day embargo on civilian freight covering 8 states and the District of Columbia. The steel industry has been particularly hard hit by the disruption of transportation and by fuel shortages. Steel operating schedules last week were reduced 2.5 points to 90.1 percent of capacity, but actual operations in the important Pittsburgh district at the end of the week were 15.5 points below schedule.

Stock market: Stock prices showed further gains last week, with the Dow-Jones average of 65 stocks rising about 1 percent. Announcement of an increase in margin requirements from 40 percent to 50 percent failed to reverse the upward trend on Saturday. The revision in margin requirements for purchasing securities is the first change since November 1937, when margin requirements were reduced from 55 percent to 40 percent.

Prices: Commodity prices, both spot and futures, held firm last week following several weeks' decline induced by favorable war news. Meanwhile, farm prices in January advanced for the fourth consecutive month. Legislation is being prepared, and a bill has been introduced in the House, to increase farm prices by changing the method of computing parity.

Cost of living: The BLS cost-of-living index rose moderately in December, due largely to seasonal price advances for fresh fruits and vegetables and to higher clothing costs. In 1944, living costs increased 2.1 percent, with the index showing a gradually rising trend in the last nine months of the year.

Retail trade: Department store sales in the 4 weeks ended January 27 were 11 percent higher than last year, while stocks have been substantially reduced.

- - - -

Production and transport suffer from severe weather conditions

Industrial production and transportation services in eastern areas continue to be hampered by severe weather conditions. Although the recent 3-day embargo on civilian railroad freight was reported by the ODT to have "done some good," new storms and low temperatures over large areas last week caused a further setback. As a result, another embargo on civilian freight in 8 states and the District of Columbia was put into effect last Friday for a 4-day period. Although the general purpose of the embargo was to prohibit the movement of any except essential war freight into or through the specified areas, certain exceptions were made in order to cope with fuel and food shortages. Thus, all tank car shipments and virtually all anthracite coal shipments, among others, were excepted from the embargo. Moreover, civilian freight was allowed to be moved upon certification of Government agencies that it was essential. The War Food Administration, for example, might certify shipments to avoid food shortages.

In the face of wartime traffic demands, the railroads at the beginning of the year needed about 85,000 additional workers, and last month the daily shortage of freight cars approximated 8,200. Moreover, railroad operations in states bordering Lake Erie have been hampered since December 10 by heavy snows and severe weather. In fact, the Chairman of the car service division of the Association of American Railroads recently described this winter as the worst since 1918 over a wide area east of Chicago.

While there has been some tendency to compare the present situation with that of the winter of 1917-18, the disruption of production, and general suffering from severe weather, thus far has been much less severe than in early 1918. Examination of the record reveals that industrial production, after allowance for seasonal factors, dropped 23 percent from November 1917 to January 1918. The Commercial and Financial Chronicle on January 18, 1918 described the situation prevailing at that time in part as follows:

"...the overshadowing factor of the week was the order of the Fuel Administration at Washington closing down the industries east of the Mississippi River for

five days, beginning on January 18 and for nine Mondays thereafter. ...It is hoped that the Fuel order will end the long period of something like nightmare in many branches of industry, due to the scarcity of fuel and cars for many months past. The steel trade is operating at the rate of only about 30% to 40% of the normal production, solely because of the lack of fuel and cars. ...Meanwhile, foreign trade has suffered from ice-bound harbors and the scarcity of bunker coal. And again we have had storms of almost or quite unprecedented severity. ...On the 12th and 13th inst. there was a remarkable blizzard and cold wave at the South, the worst in its history. ...The Ohio Valley on the 12th inst. had the lowest temperatures for January on record. A new storm menaced the country by the 15th inst., after some 200,000 cars, it is believed, had been tied up by the previous one. ...Packing plants at Chicago have had to close down, owing to the coal famine there, due partly to one of the severest blizzards in 50 years, and the blast furnaces at South Chicago also had to close down. Phenomenally high tides in New York Harbor, the highest in 20 years, following storms of rain, sleet and snow, and ice in the rivers have hampered loading and unloading of ships."

Steel operations show further decline

While other important industries also have been hampered by the disruption of transportation and lack of fuel resulting from severe weather, the steel industry has been particularly hard hit. During the past week, operations were scheduled at only 90.1 percent of capacity, a decline of 2.5 points from the previous week and the lowest operating rate with the exception of a holiday period since 1940. During the current week operations are scheduled at 89.3 percent of capacity. (See Chart 1.)

As a direct result of the recent railroad freight embargo, steel operations in the Buffalo area early last week were cut to only 23 percent of capacity. Two important producers in the area closed all of their furnaces, while the largest producer in the area was operating only one-third of its furnaces as of last Tuesday. In the important Pittsburgh area, substantial losses in steel and coal output have occurred, with the

Carnegie-Illinois Steel Corporation having to close down as many as 44 open hearth furnaces at one time. By the end of last week steel ingot output in the Pittsburgh district had dropped to 72.5 percent of capacity as compared with a scheduled rate of 88 percent of capacity. However, an improvement is expected during the current week, with operations tentatively scheduled at 81.5 percent of capacity.

In addition to the drop in steel ingot output, finishing mill operations in some instances have been curtailed because the shortage of freight cars has disrupted shipping schedules. Coal output has also suffered from the lack of freight cars. Preliminary figures indicate that nation-wide soft coal output in the first 4 weeks of this year was about 10 percent below the corresponding period of 1944.

Limited ban imposed on natural gas deliveries

As a result of the curtailed movement of coal and fuel oil during the recent cold wave, demand for gas has increased greatly. The pressure on natural gas supplies has been so great that deliveries to some 200 industrial plants engaged in critical war programs have had to be curtailed from 10 to as much as 90 percent.

In order to alleviate the situation, the WPB on Friday placed a 3-day ban on deliveries of natural gas or mixed gas to theaters, night clubs and other places of amusement in 7 eastern states and the District of Columbia. Deliveries of manufactured gas are not affected by the ban, but the WPB has warned that gas producing plants also may get into trouble due to curtailed deliveries of coal.

Stock prices score further gains

After easing slightly in the early part of the week, stock prices subsequently strengthened in increased trading activity, and at the end of the week the industrial, railroad and utility stock averages were all moderately above week-earlier levels. (See Chart 2.) The Dow-Jones average of 65 stocks showed a net gain of about 1 percent for the week, and at the close on Saturday was less than a point below the recent high attained on January 10. Resumption of dividend payments by Delaware and Hudson after a 12-year lapse tended to bolster railroad stock prices, after earlier weakness apparently generated by continuing favorable war news.

After the close of the market on Friday the Federal Reserve Board announced the raising of margin requirements for purchasing securities from 40 percent to 50 percent. The revision, effective February 5, is the first change since November 1, 1937, when margin requirements were reduced from 55 percent to 40 percent. While it was stated that the purpose of the action was to make margin requirements the same for purchases as for short sales, it was added that "to the extent that it would have any influence we hoped it would be anti-inflationary." The consensus of brokerage comment on the action was that it would have little effect on the market, in view of the large amount of recent trading that has been for cash, and other favorable factors. Some support for this view was seen in the fact that both the industrial and railroad stock averages showed further gains on Saturday in the most active short session since December 9.

Commodity markets firm

Commodity markets were firm last week. Futures prices strengthened as favorable war news appeared to have less influence on the markets, in contrast with the two previous weeks when futures were weakening. Spot prices rose slightly, with the BLS index of 28 basic commodities up 0.1 percent to a new high. (See Chart 3.) An increase in the farm parity index, and transportation difficulties arising from the severe weather conditions, were strengthening factors in the markets. Prices of wheat, cotton, and cottonseed oil showed small advances.

The BLS general index of wholesale prices in the week ended January 27 declined 0.1 percent, after having risen to a wartime high in the preceding week. Lower prices for eggs, apples, citrus fruits, and sweet potatoes were largely responsible for the decline. The index now stands at 104.7 percent of the 1926 average, which is 1.6 percent higher than a year ago, and is 39.6 percent above the pre-war August 1939 average.

Cost of living shows moderate increase

The BLS cost-of-living index rose 0.3 percent in December, reaching a new wartime peak 28.8 percent above the pre-war June 1939 level. Seasonal advances in the prices of most fresh fruits and vegetables, and the continued disappearance of lower-priced textile goods, were largely responsible for the increase. Retail food prices increased 0.7 percent; clothing costs, 0.5 percent; and household furnishings 0.9 percent.

Although the cost-of-living index in December was only 2.1 percent higher than in December 1943, a gradually rising trend has been evident during the last 9 months of the year. This rise has been due in a large part to the steady advance in clothing prices and in household furnishings and miscellaneous charges. (See Chart 4.) Largely as a result of scarcities of many lower-priced garments, clothing costs rose more than 6 percent in 1944. The important items of food and rent showed very little increase.

Manufacturers' ceilings on outerwear garments reduced

Recognizing the rise in clothing costs as one of the principal threats to the stabilization program, the OPA, in conjunction with the WPB, is making strenuous efforts to stabilize or reduce clothing prices. In this connection, the OPA announced last week a new cost-plus-markup regulation for pricing fall and winter outer garments, which is expected to reduce present manufacturers' ceiling prices by about 8 percent.

Items included in the regulation are leather coats, jackets, ski and skating suits, corduroy coats, hunting and fishing clothes, and woolen shirts and pants. The price reductions will be achieved by lowering the manufacturers' gross margins 20 percent below those of 1943, except in those cases in which the reduction would result in profits falling below the average of the 1936-39 period.

Farm prices show further rise

Farm prices, showing an advance for the fourth consecutive month, reached a new wartime high in January. The index of prices received by farmers rose 1 point to 201 percent of the 1910-14 average, which is 2.6 percent higher than a year ago and is more than double (126 percent above) the pre-war level of August 1939. Since the index of prices paid (including interest and taxes) was also up 1 point, farm prices continued to average 117 percent of parity, unchanged from the preceding month and the same level as a year ago.

A sharp increase in truck crop prices was the most important factor in the rise of the farm price index last month. Truck crop prices have risen 71 percent in

the past three months, a considerably greater than seasonal rise, but they are still slightly below the level of a year ago. (See Chart 5.) Prices of food and feed grains showed moderate advances, and prices of meat animals, including hogs, beef cattle, and sheep rose noticeably. Practically all livestock prices are now higher than a year ago, but due to the sharp reduction in the 1944 pig crop, hog prices show the largest gain, 8 percent above the January 1944 level.

The poultry and egg index was off 5.7 percent as egg prices declined seasonally. This decline in egg prices, however, was only about two-thirds the normal seasonal decline, and egg prices are now 18 percent higher than last year, when excess supplies were severely weakening prices. Although the cotton price index was substantially lower last month, this was due largely to the marketing of a larger proportion of lower-grade cotton rather than to an actual decline in prices.

Limitation on food subsidies approved by Senate Committee

An amendment limiting subsidy expenditures of the CCC to an amount sufficient to continue present subsidy programs was attached to the bill to extend the life of the CCC (S. 298), which the Senate Banking and Currency Committee approved last week. The CCC is forbidden by the amendment to pay more than $250 millions under the dairy production program and more than $60 millions for subsidies on noncrop programs, including the feed wheat program, for the six months ending December 31, 1945. If the war has not ended by that date, the same amounts are allotted for the dairy payments and noncrop subsidies for the first six months of 1946. Moreover, a limit of $225 millions is placed on the 1945 crop program, bringing all authorized subsidy payments for the next fiscal year to $845 millions.

The bill, as approved by the Senate Committee, also provides for a $1.5 billion increase, to $4.5 billions, in the borrowing power of the CCC. This increase, however, is $500 millions less than the amount requested by the CCC and which War Food Administrator Jones had indicated is essential if the Government's obligations to support farm prices are to be carried out.

Other provisions, which appear to substantially meet the WFA's desires, are as follows: (1) the life of the CCC is extended until June 30, 1947; (2) limitations on the quantity of cotton the CCC may sell in any one month or in any one year are removed, and (3) the CCC is permitted to sell at less than parity prices any of its stocks of a "non-basic perishable commodity" threatened with spoilage. Meanwhile, the House Banking Committee began hearings last week on a CCC extension bill which is substantially the same as the one originally introduced in the Senate.

Higher farm prices proposed through parity revision

The raising of farm prices through a revision in the parity formula is proposed in a bill introduced in the House by Representative Pace, and also by a bill being drafted by Senator Elmer Thomas, Chairman of the Senate Agricultural Committee. The Pace bill would include labor costs in the computation of parity, while the prospective Thomas bill would not only include labor costs, but would also change the base period for determining parity from the average of the five years 1909-1914 to the average of the ten years 1919-1929.

While the need for bringing up to date the method of computing parity is generally recognized, the significance of the move at this time seems to be that it is designed to raise substantially the present and post-war levels of farm prices, since the present price ceilings and the post-war support prices are both tied by legislation to the parity levels. The inclusion of labor costs, according to Mr. Pace's estimates, would raise parity prices about 20 percent above their present level. Under the Thomas plan, according to a press statement, the parity price of wheat would jump from the present level of $1.45 a bushel to $1.83; cotton, from 21.20 cents per pound to 29.63 cents; and corn, from $1.10 to $1.23 a bushel. The parity prices of a few commodities would decline, but the increases would far outweigh the decreases.

Objections which have been raised to these proposals for revising the parity formula include: (1) the inclusion of labor costs would reduce parity

prices in times of depression, just as it raises them in times of prosperity, (2) the 1919-1929 period would unduly raise the parity levels because of the price boom during that period, and (3) it would be very difficult for farmers to obtain prices equal to the high parity prices established.

Food allotment plan proposed to Congress

The Aiken food allotment plan, which was originally introduced as an amendment to the CCC bill in the last session of Congress, has been reintroduced in the present session and has been referred to the Senate Agriculture and Forestry Committee. The food allotment plan, as embodied in the bill S. 185, provides for the subsidizing of individuals or families in those income groups which, on a national average basis, are spending for food an amount less than sufficient to provide a designated basic diet. Food allotment coupons having prescribed monetary values would be given to those eligible, to be used for the purchase of foods at licensed stores. These stores would then redeem the coupons through banks or other authorized transferees for payment by the Treasury. The Treasury would thus be concerned in the printing, distribution, and redemption of the food allotment coupons.

The sponsors of the plan, Senators Aiken and La Follette, had originally promoted it last year as a substitute for the food subsidy program. While the stated objective of the present bill is to insure an adequate diet for low-income groups and to provide a more equitable distribution of limited food supplies, the adoption of the food allotment plan might be used by the farm bloc as an argument for the elimination of food subsidies, which would have inflationary consequences. Moreover, the food allotment plan would increase consumers' purchasing power, at a time when civilian supplies are becoming increasingly tight.

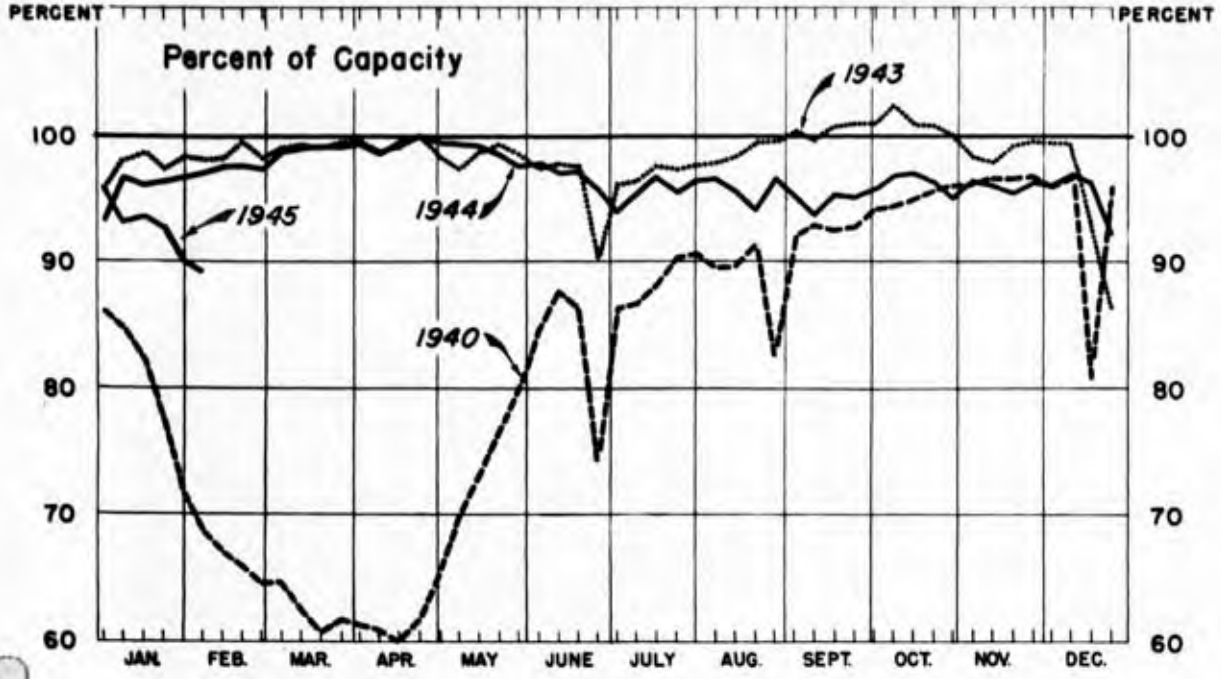
Department store stocks declined sharply in December

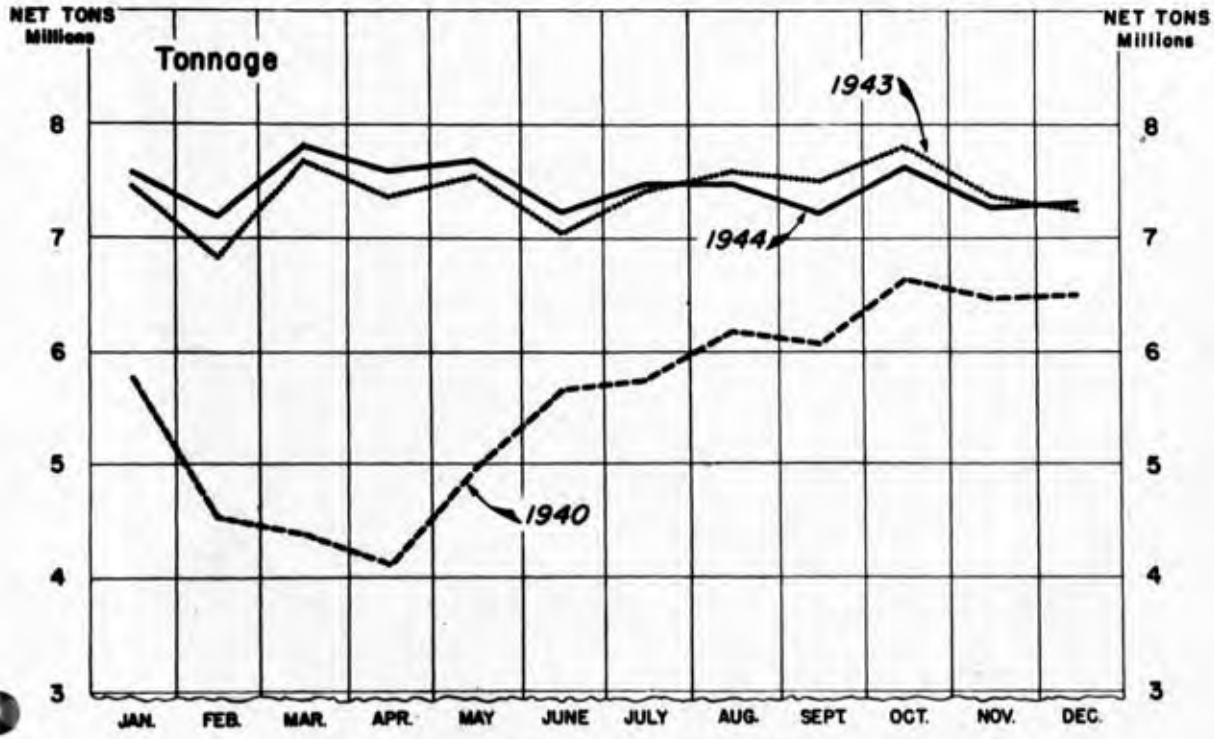
Although department store sales rose less than seasonally in December the dollar volume of sales was the highest on record and exceeded year-earlier levels by 14 percent. In view of the prevailing shortages in civilian goods supplies, it is not surprising to find that department store stocks during the month declined

sharply, with the FRB adjusted index of stocks dropping 6 percent to 135, the lowest level since May 1943. (See Chart 6.) Moreover, due to price rises and the shift towards higher priced items, the physical volume of stocks on hand was undoubtedly less than the index would appear to indicate.

While outstanding buying orders of department stores at the end of December were 27 percent higher than a year earlier, replenishment of stocks since the end of the year has in all likelihood been unusually difficult, although no actual figures are yet available. Meanwhile, department store sales last month continued to run above the previous year's levels, despite adverse weather conditions and the previous heavy buying. During the week ended January 27, sales were 17 percent above year-earlier levels, while the gain for the 4 weeks ended January 27 amounted to 11 percent. (See Chart 7.)

STEEL INGOT PRODUCTION





Source: American Iron and Steel Institute

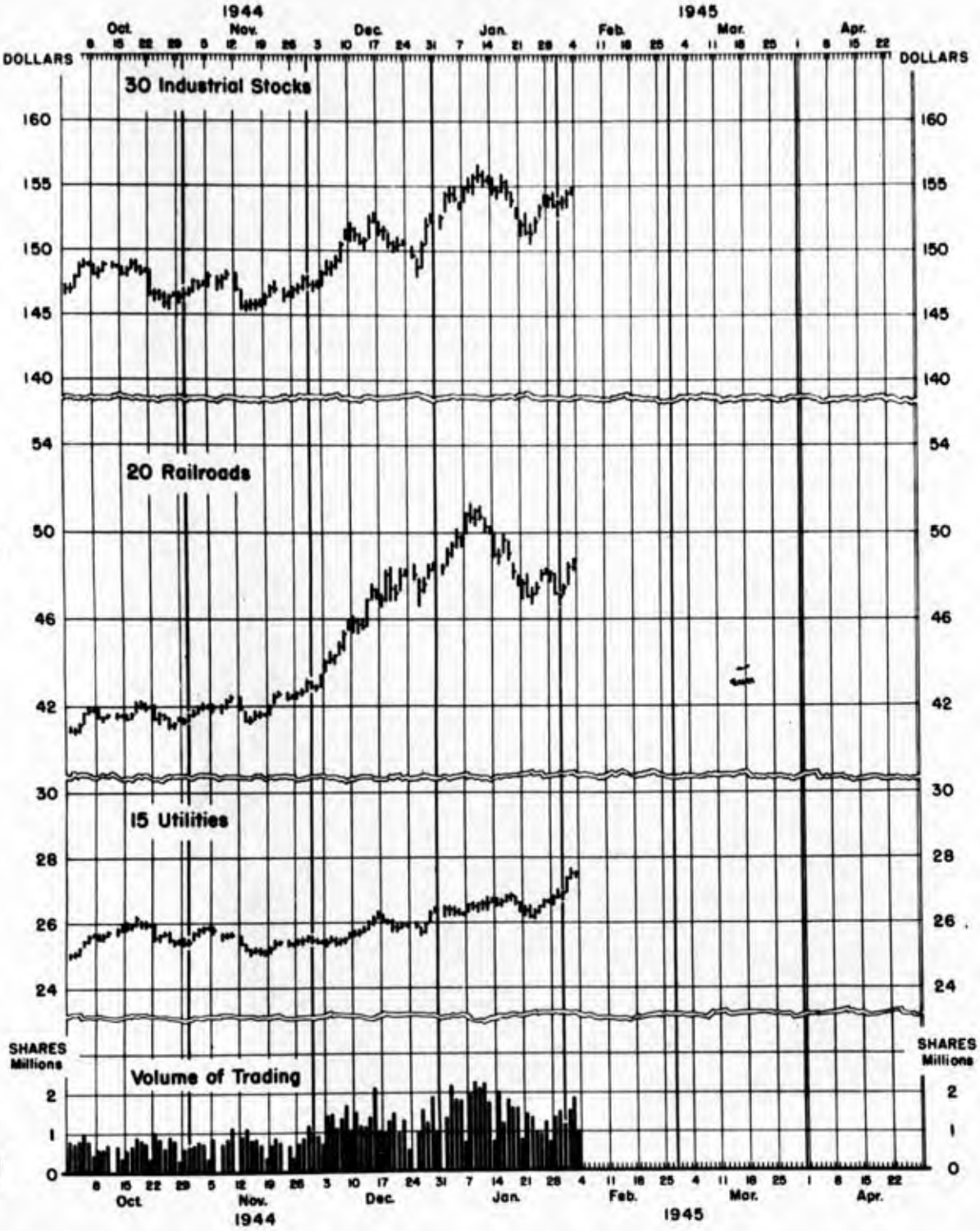
Office of the Secretary of the Treasury
Division of Research and Statistics

C-532-A

Chart 2

STOCK PRICES, DOW-JONES AVERAGES

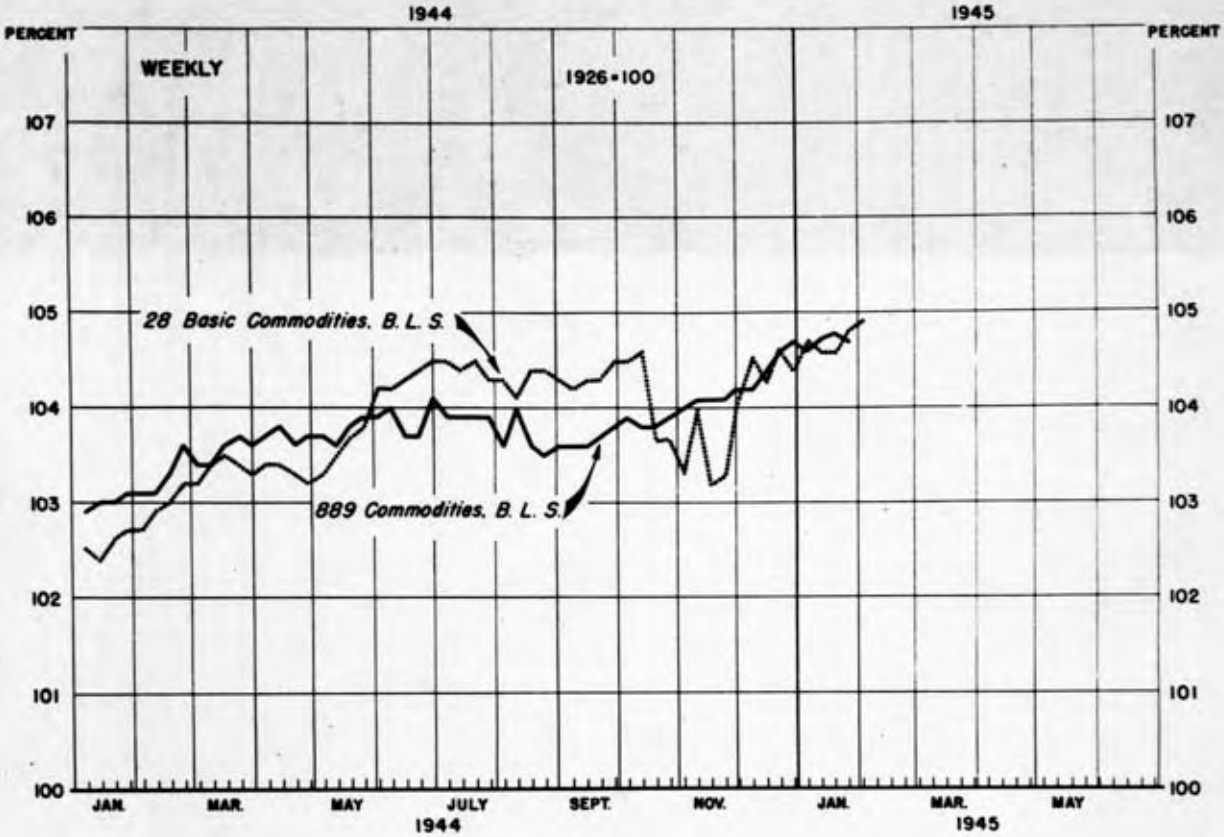
Daily



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

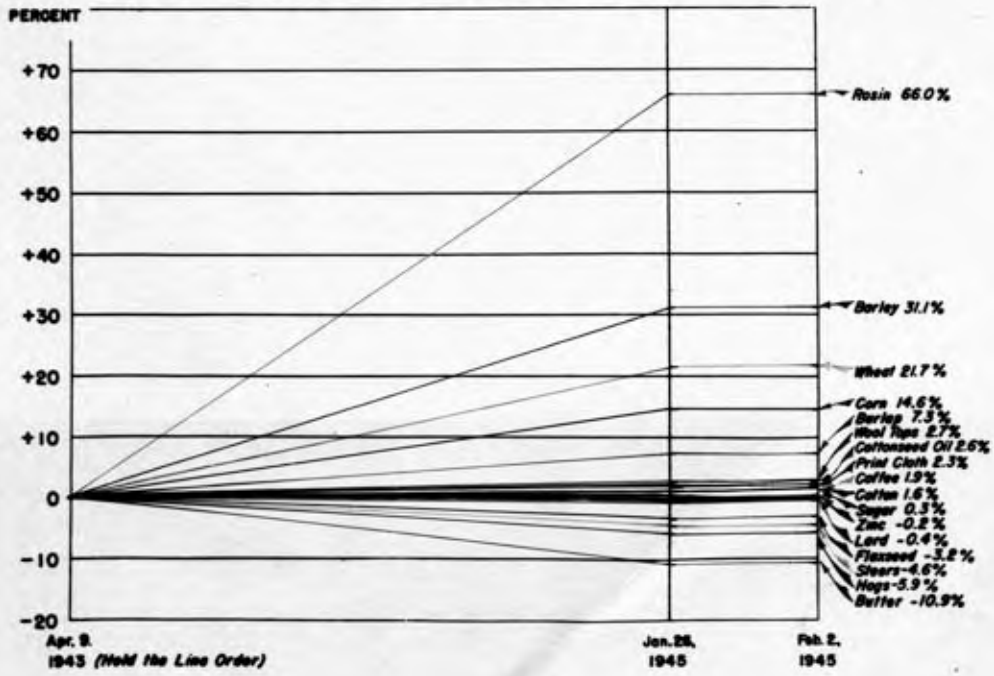
P-144-M

WHOLESALE COMMODITY PRICES



SELECTED BASIC COMMODITIES

Percentage Change April 9, 1943 to Jan. 26 and Feb. 2, 1945



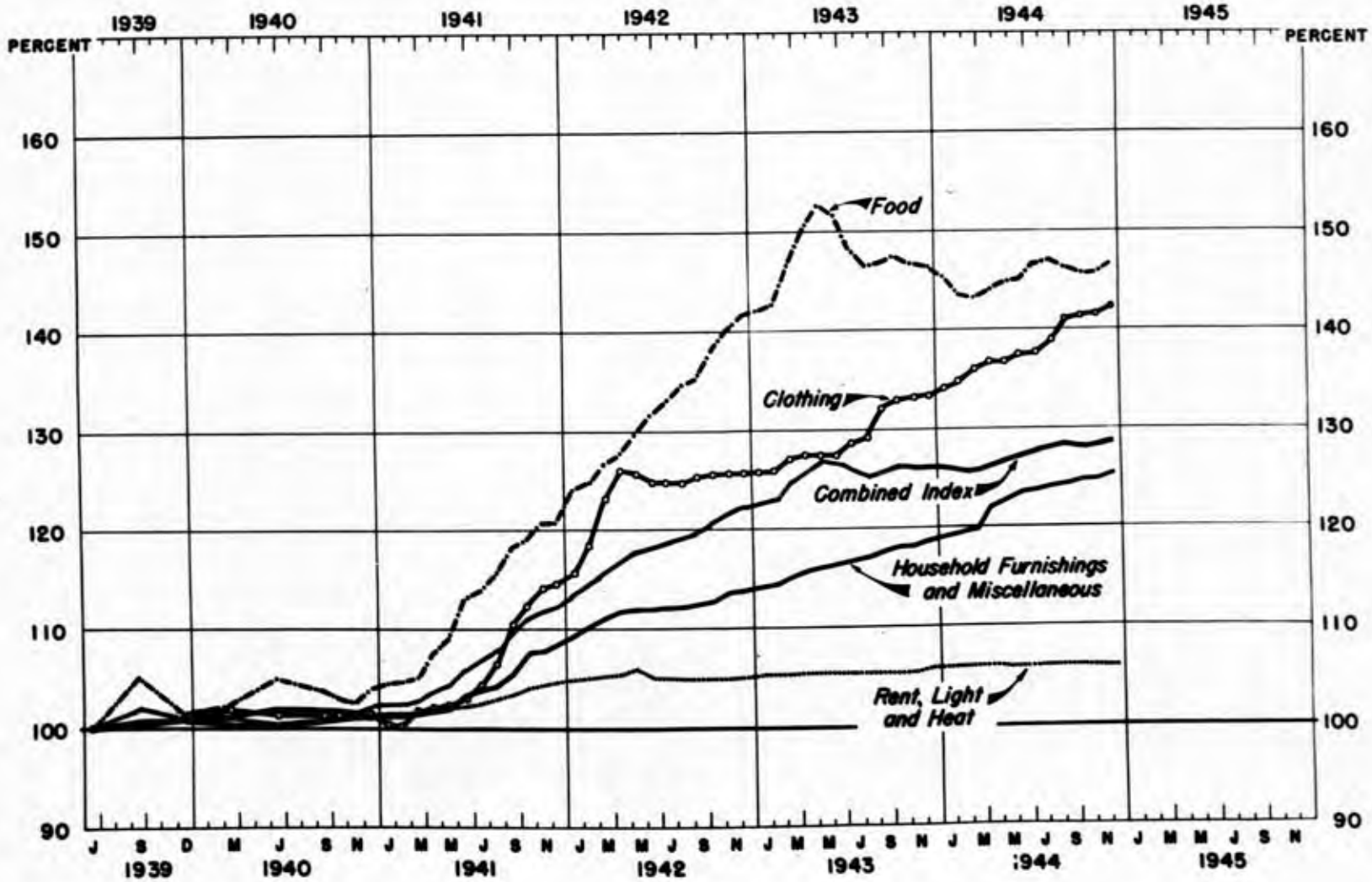
230

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

P-282-B
Chart 9

COST OF LIVING AND SELECTED ITEMS

June 1939=100



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

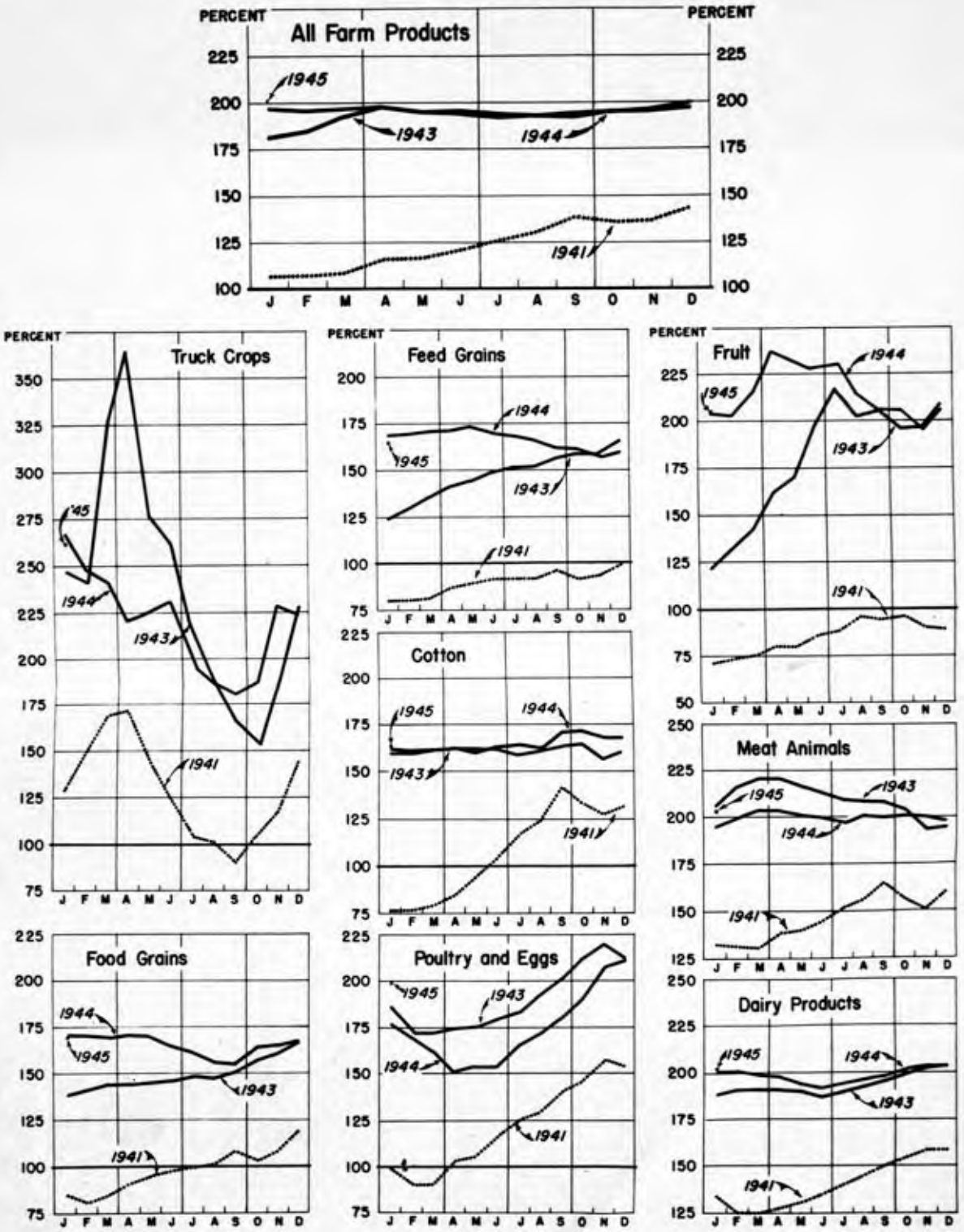
Source: B. L. S.

C-413-C

Chart 4

AVERAGE PRICES RECEIVED BY FARMERS

Indexes, August 1909-July 1914=100

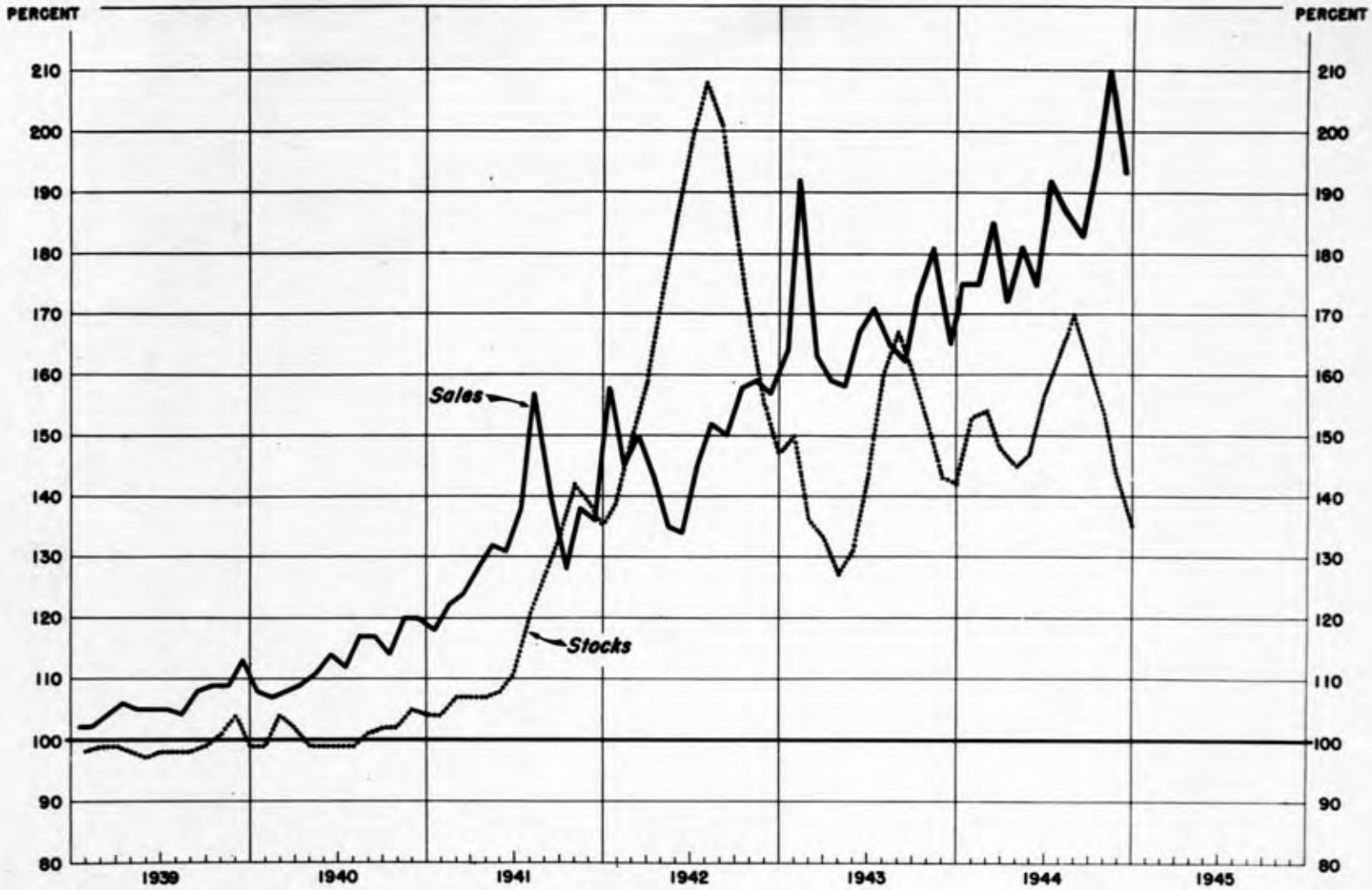


Office of the Secretary of the Treasury
Division of Research and Statistics

P-857-B
Chart 5

DEPARTMENT STORE SALES AND STOCKS

Dollar Values, 1935-'39=100, Adjusted



Source: Federal Reserve Board

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

C-430-B

Chart 6

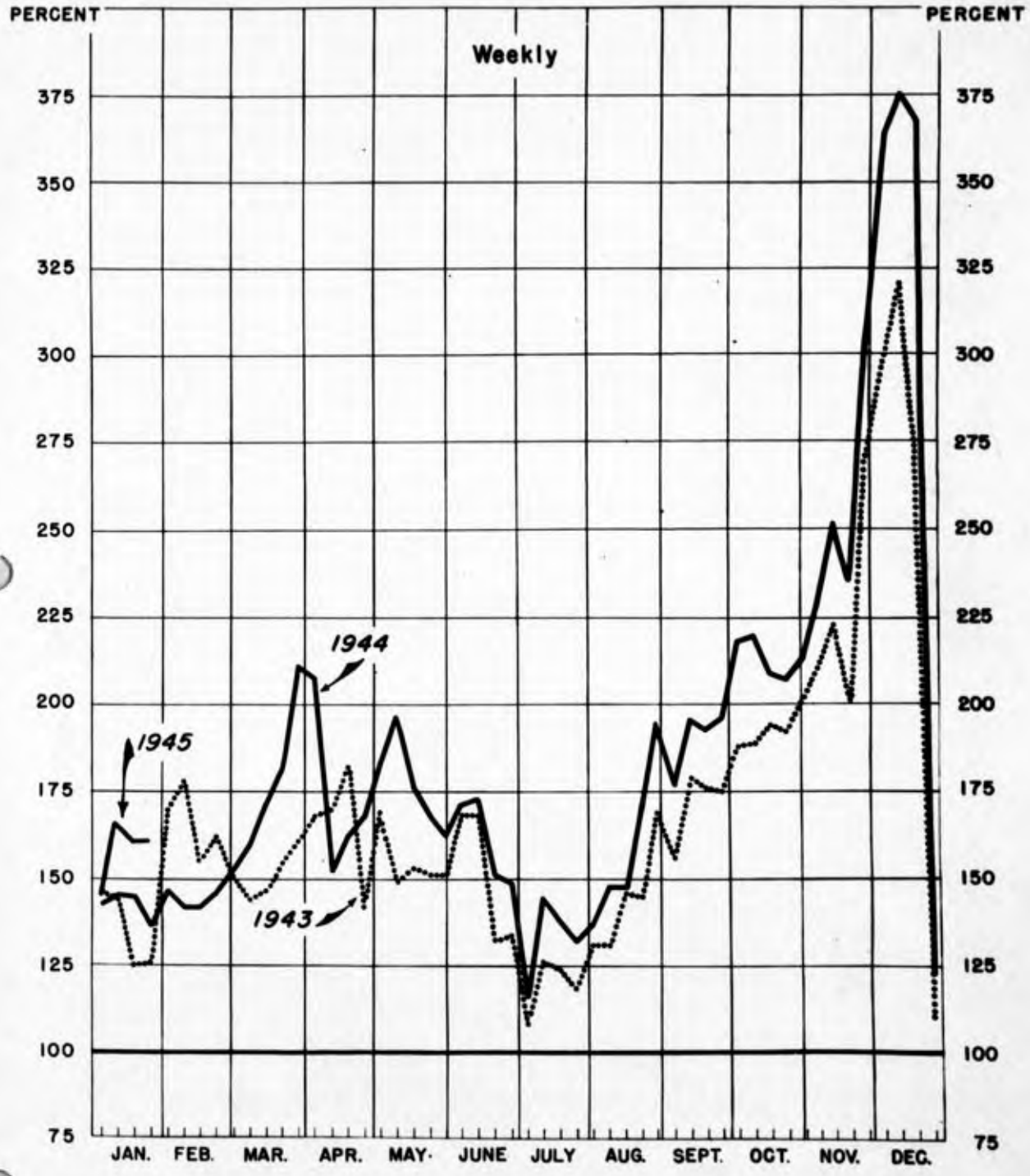
203

Chart 7

204

DEPARTMENT STORE SALES

1935 – '39 = 100, Unadjusted



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

C-390-D

In reply refer to
SWP

February 5, 1945

My dear Mr. Secretary:

The happy events of yesterday seem to indicate that all American nationals interned in the Philippines may be liberated by our military forces long in advance of any projected exchange of nationals by the Japanese and United States Governments. How soon they can be returned home will depend upon shipping made available by the War Department. I am sure that General MacArthur will give them and the other American civilians every facility possible in the circumstances.

I appreciate the deep concern expressed in your letter of February 3, 1945 for the Treasury representatives who have been in confinement in the Philippines since December 1941. The Department of State has made many proposals to the Japanese for their repatriation as well as that of the many other American civil servants interned in the Philippines including members of the High Commissioner's staff. None of these proposals has been accepted by the Japanese who made their own determination as to whom they were willing to release.

Should the Treasury representatives through some mischance have been moved to an internment camp outside the Philippines, you may be assured that we will

make

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

make every possible effort to have them repatriated if or when the Japanese assent to any one of the several proposals for another exchange which have been placed before them by the Swiss Government during the last several months.

The Japanese Government has sent through the Protecting Power a message indicating that the Tule Lake internees will be considered in the event of any further exchange during 1945 and have indicated informally to the Swiss that they were considering such an exchange. We have had no direct word from them to this effect.

Sincerely yours,

Joseph C. Grew
Acting Secretary.

SWP:CKParran:SL
2/5/45

FEB 3 1945

My dear Mr. Grew:

In September 1942 and again in August 1943, I wrote to Secretary Hull with a view to obtaining his assurances that special efforts would be made to repatriate the five Treasury representatives captured in the Philippines. The War Department recently advised me that one of these representatives has since died in captivity. I note that the Japanese Government has proposed that another exchange of nationals be undertaken and I am writing to solicit your personal interest on behalf of the surviving Treasury representatives.

It appears from Secretary Hull's letter of September 1, 1943, that the State Department has heretofore limited its efforts on behalf of the Treasury representatives to those made on behalf of the general category of "Americans captured on United States soil." I believe that you will agree with me that the Treasury representatives should be accorded the same treatment in the matter of repatriation which appears to have been accorded to representatives of the State Department who, I am informed, have all been returned to this country from the Philippines. I should appreciate your assurances that similar special efforts will be made to have the Treasury representatives returned on the next exchange.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Joseph C. Grew
Acting Secretary of State
Washington, D. C.

EWO'F:LCA:MEU:eg
2/3/45

Treasury Department
Division of Monetary Research

Date Feb. 17, 1945 19

To: Secretary Morgenthau

You may be interested in glancing at the gold transactions of the Stabilization Fund for the last quarter.

H.D.W.

MR. WHITE
Branch 2068 - Room 214-1/2

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Feb. 5, 1945

TO Secretary Morgenthau

FROM Mr. White

1. Stabilization Fund's Gold Transactions

During the three months ending December 31, 1944, the Stabilization Fund sold approximately $190.7 million of gold to foreign countries principally to be earmarked for their accounts with the Federal Reserve Bank of New York. Sales by countries were as follows:

Gold Sales to Foreign Countries

Country	Millions of dollars
Argentina	23.941
Brazil	29.926
Chile	1.346
China	24.982
Cuba	10.000
Ecuador	.360
Haiti	.500
Poland	.149
Saudi Arabia	1.000
Switzerland	19.793
Uruguay	7.980
United Kingdom	50.000
Vatican City	.750
Venezuela	20.000
Total	190.727

During the same period, the Stabilization Fund sold $34.3 million of gold to acquire Indian rupees for the purpose of financing United States war expenditures in that currency.

The Fund purchased approximately $3.0 million of gold from the National Bank of Belgium, $1.6 million of gold from the National Bank of Denmark and $2.2 million from the Royal Netherlands Government.

In order to maintain its gold balance, the Fund also purchased approximately $205.6 million of gold from the Treasury General Fund.

As a result of the above transactions, there was a net decrease of approximately $12.6 million in the Stabilization Fund's gold holdings by December 31, as shown in the following summary:

Summary of the Fund's Gold Transactions

	Millions of dollars	
Sales		
To foreign countries	190.727	
For acquisition of Indian rupees	34.272	
Total		224.999
Purchases		
From foreign countries	6.792	
From the General Fund	205.629	
Total		212.421
Net decrease in the Fund's gold holdings		12.578

2. Treasury Gold Stock

During this quarter, the Treasury's gold stock decreased $206.4 million from $20,825.1 million to $20,618.7 million as of December 31. Known and estimated amounts of sales and acquisitions were as follows:

Sales	Millions of dollars	
Sold to the Stabilization Fund	205.629	
Sold to industry	15.980	
Miscellaneous	8.712	
Total		230.321
Acquisitions		
Newly-mined domestic	3.280	
Imports bought directly by mints and assay offices	19.880	
Miscellaneous (coin and scrap)	.800	
Total		23.960
Net decrease in the Treasury gold stock		206.361

3. Total Gold Holdings of the United States

	Sept. 30, 1944	Dec. 31, 1944
Treasury gold stock	$20,825,066,027	$20,618,704,930
Stabilization Fund gold	24,625,097	12,046,716
Total	$20,849,691,124	$20,630,751,646

The decrease in the gold holdings of the Treasury and the Stabilization Fund during this quarter was $218.9 million.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE February 5, 1945

TO Secretary Morgenthau

FROM Mr. White

Information

The clash of opinion between Ministers Mendes-France and Pleven on financial policies to be followed in France has reached the press. The following extract is taken from an article by Max Lerner in PM of February 5.

"The struggle within the Government has been shaping up principally as a conflict between the Minister of National Economy, Mendes-France, and the Minister of Finance, Pleven. Mendes-France is by no means a radical, but he has been making a fight inside the Council of Ministers for taking the first steps toward a planned economy. Pleven, who throughout De Gaulle's exile was a strong link between De Gaulle and Anglo-American groups, is a liberal of the old school -- that is to say, an economic conservative. The conflict came to a head in a recent meeting of the Council, in which both Ministers took their appeal to De Gaulle.

"The decision of De Gaulle was in Pleven's favor. Mendes-France threatened to resign, but he seems now to have been argued out of his resignation. The so-called 'Pleven Plan' consists of the following measures: no deflation, increase of production to take up the slack of overabundant money and thus prevent further inflation, a capital levy, a tax on war profits, and -- no economic planning."

February 5, 1945

My dear Mr. Langer:

Thank you for your letter of February 2 and for the comprehensive studies which you enclosed on the German economic situation. These will be made available to the Treasury people who are actively working on the subject and I am sure they will find that they contain much valuable information.

I and the members of my staff also enjoyed meeting with you and your associates at luncheon recently because it afforded an opportunity for a very interesting discussion of matters of mutual interest.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. William L. Langer,
Chief, Research and Analysis Branch,
Office of Strategic Services,
Washington, D. C.

material to
Mr White
2/5/45.

SECRET

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

Wind
Acc P

2 February 1945

The Honorable Henry Morgenthau
Secretary of the Treasury
Room 3330
Treasury Department
Washington, D. C.

My dear Mr. Morgenthau:-

Following the very enjoyable and interesting luncheon discussion which we had with you and members of your staff a couple of weeks ago, it occurred to me that you might be interested in several studies which have been made by this branch and which touch on various aspects of the German economic situation. I am, therefore, taking the liberty to send you copies of these documents which are listed below.

I am glad to take this opportunity to thank you warmly for your hospitality. All of us found the discussion very stimulating, and I think a really good purpose can often be served by bringing together people who are interested in the same range of problems.

Very sincerely yours,

William L. Langer

William L. Langer
Chief, Research and
Analysis Branch

Attachments:
(1) R&A 2057 - 292 pages
The Major German Cartels - 1930-1944
(2) R&A 2603 -
The Elimination of the German Iron and Steel Industry as a Disarmament Measure
(3) R&A 2302 -
The Economic Consequences of Depriving Germany of Her Heavy Industry

(4) - R&A

#8 = 581 pages.

SECRET

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

2--

(4) R&A 2337
Russian Economic Policies in Germany
in the Period of Military Occupation

(5) R&A 2470
Inter-Regional Trade in Germany

(6) R&A 2106
Control over Distribution of Industrial
Materials and Products in Germany

(7) R&A 2676
The Elimination of the German Synthetic
Rubber Industry as a Disarmament Measure

581 pages (8) R&A 1757
Central Industrial Region of Germany

217

February 5, 1945

My dear Lieutenant Putzell:

Thank you for your letter of February 2nd with which you enclosed a confidential memorandum on the July 20th German coup d'etat. I appreciate your forwarding this information to me.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Lt. (j.g.) E. J. Putzell, Jr.,
Assistant Executive Officer,
Office of Strategic Services,
Washington, D.C.

SECRET

OFFICE OF STRATEGIC SERVICES

WASHINGTON, D. C.

yes -

2 February 1945

House

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

My dear Mr. Secretary:

I am enclosing for your personal information a copy of memorandum which has been prepared by us for a very limited circulation.

In view of the need for protecting the source of our information, it is requested that you handle this material with all due precaution.

Respectfully yours,

E. J. Putzell, Jr.
Lt. (j.g.), USNR
Asst. Executive Officer

Enclosure

SECRET

OFFICE OF STRATEGIC SERVICES

WASHINGTON, D. C.

1 February 1945

The enclosed memorandum summarizes new authoritative information on the 20 July German coup d'etat, obtained from one of the active participants in the plot, and the reasons which he has given for the failure of the putsch.

The 20 July coup appears to have failed primarily because:

(a) The conspirators were unnerved by two previous failures.

(b) General Fellgiebel failed to destroy communications at Hitler's East Prussia headquarters, and thus allowed word to get out that the bomb explosion had not killed Hitler before the plotters in the German War Ministry could seize power.

(c) The defection of Major Remer at the eleventh hour tipped off Dr. Goebbels to the conspiracy.

(d) The plotters, planning the coup along strictly military lines, failed to plan adequately to deal with the efficient Nazi police. They elected to seize buildings rather than key Nazi individuals, and failed to arrange for military forces to reach Berlin in time.

(e) By July the plotters had come to a disagreement as to which of the Allies they should surrender to and as to the orientation of the proposed new government. The younger, active leaders like Colonel von Stauffenberg favored a pro-Soviet policy. The older and more conservative figures wanted to turn to the Western Allies. The younger men were encouraged to a Soviet orientation by a feeling that Allied policy gave no hope for Germany's future and as a result of alleged assurances from the Free Germany Committee in Moscow that Germany would receive a just peace from the Soviets and the Wehrmacht would not be wholly disarmed.

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

SECRET

1 February 1945

THE GERMAN COUP D'ETAT (Continued)

The following information, transmitted by the OSS representative in Bern, is a sequel to a memorandum dated 22 July 1944 and subsequent memoranda concerning the "German Coup d'Etat" of 20 July 1944. The source for this information is a member and former emissary of the conspiratorial group who had a prominent part in the plot, and who has recently escaped to Switzerland. He apparently is the only one of the active plotters to reach safety.

The 20 July coup was the third attempt by the conspirators to kill Hitler and seize power. The first attempt was made on 6 July in Munich. It failed when Hitler suddenly and unexpectedly departed from the city. A second attempt was made on 16 July in East Prussia. It failed when Major General Hellmuth Stieff [later executed] lost his nerve and failed to place the bomb. The conspirators' military forces had already begun their march on Berlin, before the news of this failure had been received. This troop movement was afterward explained away as

SECRET

"exercise". The plotters felt, however, that this explanation could not be used again without arousing suspicion. On 20 July, therefore, the troops were set in motion only after the bomb had actually exploded, and consequently these forces did not reach the conspirators' headquarters in the War Ministry on Bendlerstrasse in time.

By 20 July the nerves of von Stauffenberg and the other participants had reached or passed the breaking point. There was no clear directing hand. The younger officers who had the nerve to proceed, like von Stauffenberg, were too young and inexperienced. The older officers, though courageous, lacked energy and decision. Some, like General Erich Fellgiebel [later reported executed], Inspector General of the German Army Signal Corps, failed to carry out their part. Fellgiebel was supposed to destroy the Central Information Office and all communication installations at the East Prussia headquarters where the bomb was placed. The plan was to isolate Hitler and his staff in these headquarters so that even if Hitler were not killed, he would not be able to publicize the fact until the plotters had gained full control. The defection of Major Remer at the last minute also contributed to the failure of the coup.

[When Remer received orders from the plotters at the Bendlerstrasse to march the troops at his disposal, he reported first to Goebbels and thus disclosed the plot to the Nazis.]

When von Stauffenberg reached the Berlin airport, after placing the bomb, he telephoned the conspirators at the Bendlerstrasse that everything was all right and told them to go ahead. General Friederich Olbricht, Chief of the General Army Office [later courtmartialled and shot], set in motion the military forces. When von Stauffenberg arrived at the War Ministry, he admitted uncertainty as to whether Hitler was dead, to which Colonel General Ludwig Beck [who later committed suicide] replied, "For us, he is dead." About this time Marshal Keitel, unaware that Olbricht and others were in the plot, telephoned to the War Ministry and to all military commanders that Hitler was alive.

Source was saved from arrest by the fact that he had already left with a message from Beck to Wolf Graf Helldorf, head of the Berlin police [later reported executed], and SS and Police General Arthur Nebe [fate unknown], at Police headquarters. Source passed through the troops under Remer, which he thought were on their way to seize the Bendlerstrasse for the

plotters, but were actually en route to arrest the plotters at the Bendlerstrasse. Source first learned of the fiasco while he was with Helldorf. He also learned then that Nebe had been asked to send his SS police officials to East Prussia to begin an investigation of the bombing.

Helldorf and those others who were not caught at the Bendlerstrasse then tried in vain to establish alibis for themselves. Source could not even try that because his presence in Berlin was unauthorized. He found refuge in Berlin where he stayed in virtual solitary isolation until he managed to escape by using false identification papers [he was not arrested by the Nazis as previous reports from the conspiratorial group had indicated]. Source believes that Dr. Carl Friederich Goerdler, co-leader with General Beck of the conspiratorial group, is still alive. Goerdler, he says, was sent out of Berlin by von Stauffenberg a few days before 20 July. [Goerdler was subsequently arrested by the Nazis. Other reliable reports have indicated that the Nazis were keeping Goerdler for future use.]

In general, source indicates that the plot failed for the following reasons:

Prior to source's arrival in Berlin on 11 July, the plans had been made along strictly military lines and the police aspects were largely neglected. The plotters relied upon the occupation of government buildings rather than making plans to arrest key Nazi individuals. When the plans for the use of the military were executed too slowly, counter-measures by the Nazi police wrecked the whole program.

Another important reason for the failure was the last-minute divergence of views among the plotters. Von Stauffenberg and his younger immediate collaborators reached a decision in favor of an Eastern solution which would involve opening the fronts at once to the USSR without even trying to negotiate with the Soviets. Von Stauffenberg alleged to his fellow conspirators that he had been in touch with General von Seydlitz and the Free Germany Committee in Moscow. He said he had obtained assurances from von Seydlitz, through Madame Kollantay, the Soviet Ambassador to Sweden, that Germany would receive a fair peace and that the Wehrmacht would not be completely disarmed. Trott zu Solz [later executed] had tried to contact the British in Stockholm, and having received no encouragement, had also come to favor an Eastern solution and gave his support to von Stauffenberg.

As a result, the plotters disagreed as to the composition of the government they planned to set up. The conservative, Western-oriented group of older men favored a government headed by Goerdler and General Beck. The younger, pro-Soviet faction, while willing to have Beck as Chief of State, wanted a leftist premier like Hans Leuschner, a prominent Socialist and former Minister of the Interior in Hesse, or preferably Dr. Julius Leber, a former right-wing Social Democrat Deputy. [It would seem highly unlikely that either Leuschner or Leber would have proved acceptable to the Soviets.]

The younger men like von Stauffenberg constituted the dynamic force in the plot. The older men, though disagreeing on policy, cooperated, on the theory that anything was better than Hitler. The younger men like von Stauffenberg and Trott zu Solz saw in American policy, or lack of policy, no hope for Germany's future, and therefore were prepared to take their chances with the USSR.

Source foresees only chaos for Germany. He says that the Germans expect a harsh but realistic policy from the USSR. They believe that the Soviets will need Germany's economic resources and will permit Eastern Germany to work, though it may

only be for Soviet benefit. On the other hand, they feel that the Western Powers are not interested in seeing any economic life rebuilt in Germany. Hence the Germans feel little hope for a Germany under American or British occupation.

[A prominent and well-placed German industrialist, according to British intelligence reports, states that "thinking Germans are amazed and disappointed by the ineptness of Allied propaganda", which they feel is playing directly into Goebbels' hands and stiffening the will to resist of the average German, thus prolonging the war.]

Source believes that the conditions in Germany which American and British occupying forces will have to meet will seem so intolerable to persons accustomed to the Western way of life and Western culture, that it will be next to impossible, from the point of view of morale and living conditions alone, to maintain occupying forces in Germany. The Soviets are hardened to such things, source comments. In any event, he adds, the cities in the "Soviet zone", with the exception of Berlin, will have suffered less destruction from bombing than the other German cities.

SECRET

227

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

2 February 1945

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

My dear Mr. Secretary:

I am enclosing for your personal information a copy of memorandum which has been prepared by us for a very limited circulation.

In view of the need for protecting the source of our information, it is requested that you handle this material with all due precaution.

Respectfully yours,

E. J. Putzell, Jr.
Lt. (j.g.), USNR
Asst. Executive Officer

Enclosure

SECRET

February 5, 1945

My dear Lt. Putzell:

Thank you for your letter of February 5th and for the radiotelephone message from Bern which you enclosed. I have read this with interest.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Lt. E. J. Putzell, Jr.,
Assistant Executive Officer,
Office of Strategic Services,
Washington, D. C.

RESTRICTED

229

7 l

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

5 February 1945

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

My dear Mr. Secretary:

Last night we received the attached radiotelephone message from our Bern representative.

It is forwarded as being of possible interest to you.

Respectfully yours,

E. J. Putzell, Jr.
Lt. (j.g.) USNR
Assistant Executive
Officer

Attachment

RESTRICTED

OSS Form 69 (Revised)

Home 8-43 @ 22996

230

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE 3 February 1945 #274

FROM Berne NMN

TO DIRECTOR, OFFICE OF STRATEGIC SERVICES

PRIORITY

ROUTINE

DEFERRED

DISTRIBUTION

(FOR ACTION)

(FOR INFORMATION)

RECEIVED IN PLAIN TEXT

RESTRICTED

GERMANY

A report from a recent arrival from Germany states that Himmler has the fixed idea that he can blackmail the Western Allies into a joint front against the Soviets. Here are further items from this report. Himmler hates Ribbentrop and reproaches him for his awkward simultaneous blackmail efforts with the West and the East by threatening each side that he would make a separate peace with the other. He was therefore prepared to replace Ribbentrop with a man of his own choosing as soon as his military plans had matured. It was his idea to reconquer Alsace-Lorraine by the end of January and for that purpose had accumulated large strategic reserves behind the Western Front. The Rundstedt offensive was intended to be only the first part of a move. Himmler had the idea that the Western Allies would negotiate after a serious reverse, which explains a good deal of his strange mentality. His whole plan was upset by the failure of the Rundstedt offensive and by the unexpected success of the Russian drive, which has forced a shifting of reserves from West to East.

According to this report, one of the most serious situations Germany is now facing is the coal shortage. Goebbels, for propaganda reasons, has been insisting upon priority distribution of coal to householders. As a result, industry now has low stocks and can only maintain activity thanks to the use of lignite.

In the German view, according to this report, Stalin is now so strong that, whatever arrangements are made among the Allies, he will keep not only eastern and southeastern Europe, but will infiltrate the whole of Germany, even the parts to be occupied by the Western Allies.

The generals of the Moscow Free German Committee are considered in Germany as far more efficient than any German political exiles in the western countries.

In the long run, the Germans feel, Stalin will also dispose of the nationalistic elements in the country, of many former Nazis, and the Communists. With these elements a reign of terror could be let loose in Ger-

RESTRICTED

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

REF. No. 274

FROM Berne TO DIRECTOR, OFFICE OF STRATEGIC SERVICES

10—30301-1 GPO

RECEIVED

RESTRICTED

many which would eliminate any Germans who still had co-Western orientations and disgust the Anglo-Saxons to a point where isolationism would revive.

The report states that Churchill's speech to the effect that the evacuated population of the East Prussian territory to be ceded to Poland would find sufficient "Lebensraum" in Germany, owing to the millions of dead, was distributed by Goebbels to the soldiers and has helped to discourage the Germans who had favored the western solution. Himmler, according to the report, feels that the general prospects of a Russian domination of Germany will eventually force the Western Powers to make common cause with him, and he apparently is nursing the hope that he will then be accepted as the only possible bulwark to protect Europe from the eastern menace.

BULGARIA

I have a long report here from a Bulgarian, a former official, and well known for his anti-German feelings, who expresses great bitterness at the results of the trials of the war criminals in Sofia. Here is a brief summary of the report, on which I do not feel competent to comment except to state that I believe that the writer is an honest man.

(Beginning of report) The sentences exceeded in rigor those demanded by the public prosecutor, who, in the cases of Groneff and Pomenoff, had only asked imprisonment. In the case of the members of the Mouravieff cabinet, the prosecutor had merely asked the court to render a verdict according to their consciences in view of the statement of witnesses that this cabinet had taken all possible political measures effectively to bring about a change of policy in favor of the Allies.

A manifestation of 15,000 people was timed to take place just as the verdicts were to be rendered and undoubtedly to exercise its influence on the tribunals. The tribunals themselves, ostensibly created for the purpose of catching war criminals, by lumping together the guilty and the innocent, the friends of the Axis and the friends of the Allies, totalitarians and democrats, have shown that they had quite different intentions. It has become obvious that they exist for the purpose of destroying the bases of democratic government and the monarchy in Bulgaria and with them the surviving foundations of national independence. By playing the Russian card, Bulgarian extremists seek to eliminate any Anglo-American influence in Bulgaria.

RESTRICTED

Treasury Department
Division of Monetary Research

232

Date Feb. 5, 1945 19

To: Secretary Morgenthau

I think you will be interested in reading this letter from our Mr. Snider in London.

H.D.W.

MR. WHITE
Branch 2058 - Room 214-1/2

UNITED STATES OF AMERICA

TREASURY DEPARTMENT

AIR MAIL

Office of the Treasury
Representative

Embassy of the United States
London, January 24, 1945.

Dear Mr. White:

I am writing to you about the debates and discussions in Great Britain on the Greek situation, not because there have been any spectacular developments of which you are not already aware through news reporting in the States, nor because I think the affair is of great importance in itself. What is significant, however, are the implications of the high policy which underlie the Government's position and the fundamental bases of that policy, both of which it seems to me have been considerably clarified in last week's debate in the House of Commons.

The Greek affair has, as one would expect, aroused an enormous amount of discussion and debate, both in and outside of official circles. Not a day has gone by since the outbreak of civil war in Greece when the press has not discussed the question, and weeklies like the New Statesman have added fuel to the fire by taking strong stands and hotly defending them.

Debates in the Commons reached a climax before the Christmas recess when certain Labor M.P.'s threatened a vote of censure if some progress were not achieved in ending the civil war by the time the sessions reconvened. A large section of the British public was getting fed up with the Government's policy and was demanding that British troops cease losing their lives in a struggle against an Allied country. It was this pressure which undoubtedly forced the Prime Minister and Foreign Secretary to make their spectacular Christmas journey to Athens. The failure of the appointment of a Regency to end the strife and the belligerent and intransigent attitude adopted by General Plastiras toward the ELAS forces were a disappointment to the British public, and the necessity for a statement by the Government and a debate was apparent. This took place on Thursday and Friday of last week.

Mr. Harry D. White,
Assistant to the Secretary,
Treasury Department,
Washington 25, D. C.

The Prime Minister's statement to the Commons on Thursday was important and its significance goes far beyond the subject to which it was primarily pointed. First, the Government's general policy toward liberated areas was stated by Mr. Churchill. This policy is, in his words, "Government of the people, by the people, and for the people, set up on a basis of free and universal suffrage election, with secrecy of the ballot and no intimidation." That, he said, is the British policy for Italy, Yugoslavia and Greece. The application of this policy to Greece was described in some detail. The gist of Mr. Churchill's explanation of his Greek venture was that the ELAS forces were, in fact, nothing but communists intent upon seizing power and that British armed intervention was necessary to save Greek "freedom". Not only was it charged that the resistance groups are communists, but that they used the arms furnished to them by the British to fight the Germans not to this end but to "seize power in the capital by force, or intrigue, and make Greece a Communist State with the totalitarian liquidation of all opponents". The British troops scarcely managed "to prevent a hideous massacre in the centre of Athens, in which all forms of government would have been swept away and naked, triumphant Trotskyism installed". ("Trotskyist", the Prime Minister said, might be better expression than Communist, since the former was equally hated in Russia.) The second theme of Mr. Churchill's speech was the brutal atrocities committed by the resistance forces. This theme became a fugue played by all the conservative speakers in the debate that followed.

To be sure, the Prime Minister stated that the British Government's policy now is only to ensure a free election in Greece and to allow the present Government there to broaden its representativeness without outside interference. At the same time, however, it was made clear that in Mr. Churchill's opinion none of the existing authorities in Athens will ever accept or work as colleagues with the Communist leaders. Such a statement surely constitutes the best guarantee that Plastiras will not accept "Communists" and undoubtedly his definition of the word will even outdo Mr. Churchill's in its breadth.

In the debate which followed the Prime Minister's statement, both the same day and the following day, criticism was often intense but expressed only by a relatively few Labor, Commonwealth and Liberal Party M.P.'s.

Mr. Stokes (Labor Party) expressed the belief that British forces intervened in Greece for three reasons: "First, because we expected a coup d'état which we wanted to stop, secondly to feed the people, and thirdly, to prevent the Russians getting a foothold in the Mediterranean".

Mr. Cocks (Labor Party) implied that the Greek debt held by British bondholders might in some part be responsible for the Government's action.

Sir R. Acland (Commonwealth) excoriated the Prime Minister for dealing with the Greek issue "as if it could be handled in terms of who has committed the most atrocities". The real cause of the outbreak of civil war, according to Acland, was the Greek Government's refusal, supported by General Scobie, to adhere to its agreement to allow ELAS a number of men under arms equal to the strength of the Mountain Brigade. The British authorities must share in the responsibility for the outbreak "by standing behind, instead of interning, a body of police who had served Metaxas and the Germans and showed clearly that they did not understand the principles of maintaining democratic law and order". Acland moved for a reduction of the Vote of credit by £100.

Aneurin Bevan - by far the most outspoken of the Labor M.P.'s - called the Prime Minister's speech that of a "swash-buckler" and his statement about forces marching down on Athens to massacre the population a "grotesque piece of Churchillian rubbish". Bevan's position is summed up in his statement, "We are now starting wars of intervention in Europe by the British Tories".

James Griffiths (Labor), after recalling the intervention in Russia in 1920, said that the trade unions and labor movement "are determined that, at the end of this war, there shall be no intervention which they can prevent against working-class and popular movements in Europe or anywhere else in the world". The European resistance movements, he continued, are composed essentially of workers of all shades of political opinion, and out of these movements "will emerge forces, movements, ideas and men out of which a new Europe can be born" and "the right thing to do in Europe is to bring these resistance movements, the moment liberation comes, into the Government, and let them share the responsibility for the leadership of the country".

Conservative speakers in the debate spent a good deal of their time reading letters from British Army officers in Greece describing the so-called atrocities being committed by the ELAS forces.

Hore-Belisha stated that all over Europe, beneath the surface of the military war, political fires are smouldering, and that it is important to define the principles by which the Greek policy can either be vindicated or condemned, for "this may not be the last occasion on which a parallel course may have to be followed". The speaker showed his concern for the popular movement "which we are told is emerging all over Europe". "All over Europe", he continued, "they are intruding

themselves into office and power by affecting a good disposition towards the established order. What they will do when they get power is another matter. What they are doing without having realized power is apparent to all who follow events in Greece". Later on in his speech, Hore-Belisha said, "we know, then, not what the policy of E.A.M. and its counterparts in other countries may be, but we do know what its methods are. We know that there is robbery, murder, the taking of hostages, the maltreatment of hostages, a complete disregard for all human rights".

Captain McEwen spoke of the ELAS policy of aggression, "endeavoring to do in Greece exactly what the Germans have done with regard to many countries in Europe", except that it is worse, for "the Greek-Communists have endeavored to attack their own country and to enslave, and to perpetrate cruelties upon, their own people". The Captain suggested that what happened in Greece may occur in Yugoslavia and other countries as they are liberated from the Germans, and he expressed the hope that "the policy which has been pursued in Greece will be continued, if necessary, in other countries in Europe when they are released".

Major Lloyd likewise expressed his concern that problems similar to those in Greece will arise in other parts of Europe: "The exposure - and indeed it has been an exposure - of what has been going on in Greece under the guise of democracy, and the terror that was threatened to the unfortunate inhabitants by those who tried to wear the clothes of democracy, should make us all the more careful to ensure that we are not misled again with stories from other countries, of the acts and plans of those who call themselves democrats but have no right to the name at all".

Major Lloyd continued by saying that liberation of certain countries which have been "over-run by the Russian Armies does not unfortunately mean the same as it means to us who understand the full meaning of democracy". Reference was then made specifically to the situation in Yugoslavia and the "unilateral action" of Russia "which distresses so many of us".

Anthony Eden closed the debate, justifying the Government's policy on the grounds that the ambition of ELAS was to seize the control of Greece by force, that all elements except "the hard communist core" flaked away from the E.A.M. in disapproval of the policy which the "communist" leaders were adopting and that E.A.M. broke its promises to hand over the arms of its civil police and thus precipitated the struggle.

The debate was long, and many others spoke and presented arguments which have not been mentioned above. However, enough has been said to make clear a couple of points:

1. The British Government, under the leadership of Churchill and with the vigorous support of his party, and the passive support of a large portion of other parties, regards itself as the savior of Greece from communism;

2. Many of the Tory leaders in the House of Commons regard the Greek issue as just one aspect of the wider problem of British policy toward the popular resistance movements in other countries in Europe and the Soviet-sponsored governments in Yugoslavia, Poland, etc.

The whole problem, of course, first came to the forefront of public discussion with the stand taken by the British in Belgium. That particular issue has now died down, but it seems pretty certain that the excuse used by the British forces to the effect that they were guarding Brussels against an armed rebellion was based either on false information or a deliberate distortion of the facts. We here, of course, are in no position to judge the validity of the information on the Greek situation which the British Government has put forward as the "facts" on which its policy has been based. But in view of the mis-statements made on the Belgium situation, and in view of the numerous reports by reliable correspondents and others contradicting the Government's version of events in Greece, there are good grounds for believing that some motives prompted the Government to take the stand which it has which go considerably beyond what an unprejudiced consideration of the real facts would justify.

That the war has resulted in the emergence of new political forces in Europe, united on the principle of resistance to Fascism, can hardly be disputed. It cannot be stated with any assurance what the exact political complexion of these forces are, but in general we know that they are anti-fascist and pro-democratic, despite the stigmas which the Tories of Britain are anxious to discredit them with.

It seems to me of the highest importance to the United States and the other Allied nations that the resistance forces be encouraged and protected as the most hopeful element in a regenerated Europe and the best guarantee against the resurgence of fascism. They require protection against both the vested reactionary elements within the liberated countries and the armed intervention of foreign states crusading ostensibly to preserve democracy but in fact to suppress the emergence of regimes which the Tories of England fear will threaten the economic and political system in their own country.

It is my belief that the British Government as now constituted aims to do all in its power to prevent the

liberalizing influence of the democratic forces in European countries from establishing themselves too firmly. It would be a tragedy if the United States Government passively allows these aims to be realized without an effort to counteract them.

I am sorry if this has become a polemic, but I am not sure that the urgency or importance of the problems discussed are appreciated as much in the States as the situation as seen from here would appear to warrant. These are, of course, only my personal views.

Sincerely,

D. A. Snider

D. A. Snider.

KFM PLAIN

February 5, 1945

U.S. URGENT

AMERICAN CONSUL,

MARSEILLE, (FRANCE)
118, Fifth

FOR LAFOON

Your 52, February 4.

War Refugee Board and UNRRA are being appropriately informed.

GREW
(Acting)
AEC

RS-1159
Distribution of true reading only by special arrangement. (SECRET W)

Caserta

Dated February 5, 1945

Rec'd 8:29 a.m.

Secretary of State

Washington

436, February 5, Noon

FOR WAR REFUGEE BOARD

Randolph Churchill, who left Topusko several days ago, said this morning that there are 107 foreign Jewish refugees at Topusko who should be evacuated as soon as possible (reference my 1847 of December 20, midnight) and over 1000 Yugoslavian Jews who should remain in the country. He siad that the group of 107 are fairly well off and positively in no danger of any kind, but added that the group of Yugoslav Jews were living under difficult conditions. He stated that due to severe winter conditions it would not be possible to remove the 107 forevacuation at this time. He confirmed that the group of 107 are well clothed and shod and are getting enough to eat.

KIRK

JT

GEK-1286

PLAIN

Lisbon

Dated February 5, 1945

Rec'd 5:18 p.m.

Secretary of State,

Washington.

251, Fifth

WRB 302; JDC 158.

FOR LEAVITT FROM HAROLD TROBE

Reference your January 29; further our 152.

Schwartz approves sending entire amount to Lublin.

NORWEB

WTD

AIRGRAM

FROM

BERN
Dated February 5, 1945
Rec'd February 10, 1945

CONFIDENTIAL

Secretary of State,

Washington.

A-225, February 5, 1945 - 4 p.m.

American Interests - Germany

Department's 57 January 4 (WRB No. 338)

Swiss note February 1 states that Swiss Legation Berlin has taken steps with view ascertaining whereabouts Frederica Mueller.

HUDDLE

NOT TO BE RE-TRANSMITTED

COPY NO. 4

SECRET

OPTEL No. 41

Information received up to 10 a.m., 5th February, 1945.

MILITARY

1. WESTERN FRONT.
Southern Sector: Gap between 1st French Army forces attacking north from Mulhouse and south from Colmar now 10 miles wide. Troops this Army now 1 mile from Neubrisach which main German communication link over Rhine.
Central Sector: 3rd U.S. Army now reported in Schnee Eifel Forest 4 miles N.W. Prum while 1st U.S. Army 2 miles from Schleiden.

2. EASTERN FRONT.
Latvian Sector: Russians continued their attacks with fresh forces.
East Prussian Sector: Further progress made and communication centres Barenstein and Landsberg captured.
Central Sector: North Kustrin town Baerwalde and Neudamm captured while S.E. Frankfurt town Ziebeingen taken.

3. BURMA.
Coastal Sector: Northern half Ramree Island now captured and advance continues inland towards Ramree town.
Central Sector: Our troops occupied village 27 miles S.W. Myaing while advance on road to Pakokku has reached point 8 miles west of town.

AIR

4. WESTERN FRONT. Night 3rd/4th. 506 aircraft despatched (10 missing): coking plant Bottrop 210 (976 tons), Dortmund 149 (573 tons) in clear weather with slight ground haze and preliminary reports indicate both attacks good, while 14 Liberators attacked 4 U-Boats, 1 Destroyer and other shipping in Western Baltic with believed good results. Other operations 233.
4th. Weather restricted operations, but 250 air craft of SHAEF (Air) carried out armed reconnaissances of which 192 over Southern Sector where road and railway targets effectively attacked.

5. BURMA. 2nd. 364 medium and fighter bombers and fighters effectively attacked army support targets, airfields and communications in Central and Lower Burma.

HOME SECURITY

6. ROCKETS. During 4th 6 incidents reported.
Night 4th/5th. 8 incidents reported.

February 6, 1945
10:33 a.m.

Miss Beryl Roberts: Hello.

HMJr: Miss Roberts.

R: Yes, Mr. Secretary.

HMJr: Look, Miss Roberts, Mr. Clayton called up this morning and wanted to call an emergency meeting on this French Lend-Lease business in my office at three this afternoon.

R: Yes.

HMJr: And I have rearranged my afternoon because he said it was so important.

R: Yes.

HMJr: Now, we're having plenty of trouble, and I'd very much like to have Mr. Crowley present himself.

R: All right. Well, now, I'll get in touch with him, Mr. Morgenthau, and have him to do that.

HMJr: Yes, tell him that this is something that I'd really like him to come to because I need his help.

R: Yes. All right, I surely will.

HMJr: And will you let Mr. FitzGerald in my office know?

R: Yes, I certainly will.

HMJr: Yes.

Operator: There you are.

HMJr: Hello.

Henry A. Wallace: Hello, Henry.

HMJr: Yes.

W: I talked with Luis Quintanilla, the former Mexican Ambassador to Russia and he says that his train is leaving at 1:15 tomorrow.

HMJr: Oh.

W: I -- I think he would like to attend -- he said he would like to attend the lunch very much, but he would have to leave at ten minutes of one. I don't know whether you'd care to move your lunch up that far or not.

HMJr: Well, he'd have to eat luncheon at twelve, wouldn't he?

W: It means you'd have your luncheon at twelve.

HMJr: What do you think?

W: It's just up to you, Henry.

HMJr: Well, I think it'd be -- that's what we do in the country, don't we?

W: We do it in the country.

HMJr: All right. Lunch at twelve o'clock.

W: All right. Now, one other thing: after I talked with you this morning about the particular gentleman who is as clean as a hound's tooth, you know?

HMJr: Yes.

W: I decided that it might be worthwhile to -- to call up Truman, which I did, and suggested that we have lunch together, Mr. and Mrs. Truman, Mr.

W: Cont'd. and Mrs. Hannegan, The Secretary of Treasury and Mrs. Morgenthau, and ourselves, on Sunday, the 18th, if that date was convenient and agreeable all the way around. He liked the idea very much.

HMJr: Yes.

W: I said that you were very much interested in the unity of the party on a progressive basis, and you felt that Mr. Hannegan could be very useful. There are some things, perhaps, he didn't know about.

HMJr: Yes.

W: And he agreed that Mr. Hannegan's education wasn't complete in all respects.

HMJr: Yes.

W: Now, how does that appeal to you?

HMJr: Fine. Now, wait one second -- one second -- I've got to look -- no, I'm in Philadelphia Sunday, the 18th, talking on bond redemption.

W: Sunday noon, heh?

HMJr: Well, no I'm not talking until -- now, wait a minute, I'm not talking until Sunday night.

W: Then it could be -- Sunday noon is good then?

HMJr: Well, I've got to ask ....

W: Elinor, of course.

HMJr: I -- I have to ask Elinor and then what time my train is, you see? And they say here on this thing I'm due at Philadelphia at noon.

W: Oh, due there at noon?

HMJr: But I'll have to check that. I'll be talking to her this evening. She's gone up to New York.

W: Uh huh.

HMJr: Would that be time enough?

W: Oh, yes, that's plenty of time, of course. We can -- we can -- we can set the date ....

HMJr: You like it Sunday noon?

W: Well, I was checking with Harry as to his convenient time and that's about the first one we hit that was mutually convenient.

HMJr: Harry?

W: Harry Truman, yes. And we can postpone it 'till ....

HMJr: I'm free on the day before.

W: Well, that happens to be his daughter's birthday.

HMJr: Your daughter?

W: No, his daughter.

HMJr: His daughter? I see.

W: The day before that ....

HMJr: And you don't want to make it in the evening?

W: Yes, we can do it in the evening just as well as not.

HMJr: Going up for this program -- I mean, they've got me here -- it says, "Due in Philadelphia at noon." That's what it says.

W: Yeah.

HMJr: Although I don't go on until night, I'll be fussing with it.

W: Well, we'll shift it -- I'll try -- I'll have him try Monday, the 19th, instead. How's that.

HMJr: I can't do Monday but I could do Tuesday.

W: Tuesday, the 20th.

HMJr: Tuesday, the 20th, in the evening would be okay.

W: All right, I'll send that on to him.

HMJr: Yes.

W: All right, Henry.

HMJr: And I'll wait to hear from you, and I'll see you at noon tomorrow.

W: You have reason to think that will clear with Elinor all right?

HMJr: Oh, yes. I'm sure of that.

W: Okay. I'll -- we'll be there at noon tomorrow.

February 6, 1945
10:50 a.m.

FINANCING

Present: Mr. D. W. Bell
Mr. Gaston
Mr. Murphy
Mr. Coyne

H.M.JR: Is everybody in agreement?

MR. BELL: I guess so.

H.M.JR: Mr. Gamble was going to give me something in writing that he was for this thing.

MR. BELL: For payment in cash?

H.M.JR: Yes.

MR. BELL: I don't know, I didn't see anything.

MR. COYNE: He dictated something the night before he left, I am sure.

H.M.JR: I didn't get it.

MR. BELL: The group has been going over press releases on the matter of exchanging the series A bonds for E bonds, and then there were discussions. We got back into the matter as to whether or not we should exchange them at all. We shouldn't have cash redemptions, and, as you know, Jake was in. He said he felt very strongly that we should not exchange them for cash. It would have a wholesome effect, and particularly an effect on this rumor going around that we would never pay them off. And in the general discussion I think everybody agreed it would be better to pay them off in cash from an operating standpoint. It certainly would be better to pay them off in cash.

(Mr. Gaston enters the conference.)

H.M.JR: This is what they are trying to put over on me. (Indicates Mr. Coyne's memorandum to the Secretary dated February 5, 1945.)

MR. BELL: I don't have as strong a feeling on it as some of the others. It doesn't matter which way they jump whether you pay them off. I think probably Jake had the strongest feeling of anybody, and I expect Henry here has the next.

MR. MURPHY: My neck is pushed out.

H.M.JR: Which way?

MR. MURPHY: They ought to be paid off in cash.

MR. COYNE: I think Ted's view, sir, was that he would not object if they were paid off in cash. If there was any exchange, it should be across the counter. He couldn't see why it was necessary to pick up the bonds and send them to the Feds. If it was a question of putting them across the counter and exchanging them, I think he would be for that.

H.M.JR: There are only ten million dollars involved.

MR. BELL: There are one hundred and eighty-eight million involved, coming in at the rate of eighteen million dollars a month.

Now, you have in this picture banks and corporations. They would buy the series A bonds. They were later eliminated so they would have to take cash, which reduces your eighteen million to something--

H.M.JR: Let's say we are doing the cash. What the heck? You are sending me up to Philadelphia for "We The People" and just to tell the people they can get cash.

MR. COYNE: No, the idea is to show these people who have gotten cash that there is cash waiting for every holder of the bonds. Now, I don't know that it is necessary to pay them off in cash to get the idea across. If they have the option of cash, you could probably get the same idea across.

H.M.JR: Let me ask you this? We have the names of everybody, don't we, who owns these bonds?

MR. COYNE: Yes, sir.

H.M.JR: This is something, Herbert, nobody has suggested, see. They don't have any publicity people over at War Bonds. They only have advertising people. What would you think, Herbert, if I should write a letter, facsimile letter, to every one of these bond holders simply saying--in the first place complimenting them on the fact that they have held the thing for ten years? That is number one.

And, number two, I would simply say, "Look, gentlemen, if you want to be paid off in cash, all right, the cash is waiting for you. But we need this money, and, therefore, we want to tell you that there is an opportunity for you to take this money and convert it into the present series E bonds." Make it just as simple as that, see? Somebody told me about an eight-page folder that is something like the Federal Reserve Bill on this thing, that is so highly technical that nobody can understand it.

MR. BELL: An eight-page folder?

H.M.JR: That may be slightly--Mrs. Klotz says I improve the stories as I go along, but it was a technical--

MR. BELL: I doubt if we can write to each individual owner of these series A bonds. As I recall it, the stubs have been integrated with all of the others, and I think we haven't the plates. We used to keep plates, but we had such a large volume that we couldn't keep them.

H.M.JR: The idea was that in case of an emergency of some kind somebody could write these bond holders and get a message across to them.

MR. BELL: Mr. Secretary, in Chicago there is such a volume that we can't .

H.M.JR: This is ten years old.

MR. BELL: Yes, but you see, they have been redeemed all along the line, and the cards for your redeemed bonds are still in the files with your live bonds. We haven't had the force to get them out. I think that is the situation.

MR. GASTON: There are five million of them now, aren't there?

H.M.JR: That is what we keep saying over and over again. I don't believe it. (Laughter)

MR. GASTON: There are a lot of them.

MR. MURPHY: People purchase them at one time or another, but they don't necessarily still hold them. I think the statisticians are pretty good, Mr. Secretary.

H.M.JR: Don't get your professional back up. There are eighty-five million different people holding them.

MR. COYNE: We probably have sold five million baby bonds. You signed one certificate the other day.

H.M.JR: I had nothing to do with setting the figures up, but the sample that was used was divided into twenty sub-samples, and when they are taken in, each of them gave almost the same results as the other ones, and the whole twenty combined is supposed to indicate a pretty narrow margin of error.

Well, I can't write these people?

MR. BELL: I think it would be a little difficult. I will check up on it, but I think it would be very difficult.

H.M.JR: I just hate like hell to simply get out an announcement saying, "Turn them in for cash," and not

offer an exchange. A bank owns one hundred million dollars, and you sit up nights trying to give them something nice and juicy to convert to, and you won't give this fellow who waited five or ten years a chance to convert it into something--you won't give him any rights.

MR. BELL: Of course, Jake pointed out that his only objection was you were creating a separate class of holders in E's, giving this separate class of holders a fifteen thousand dollar limit, whereas, the other E holder only has a five-thousand-dollar limit.

H.M.JR: Now look, I am going to talk as a salesman. What Ted and this fellow missed entirely on this thing, you see--I think they missed this one. Damn it, look what I am offering them; it is like a new item, and you say, "If you hold your bond, look what the Treasury does at the end of ten years. You can convert this thing into another ten year bond. It is an annuity for you, and it is entirely new," and you tell this to your field people. It is the most wonderful sale. No insurance company in the world would let this thing slip out of their hands. They go around with your policy, whatever it is, and say, "Don't you want to convert," and make it attractive to them. You salesmen come in and say to me, "Pay the boys off in cash. I hope to meet you in the next world."

On the other hand, you say to the fellow, "Look, sure you are special; you have held this thing for ten years. You can own five thousand, but we are going to let you have ten thousand more in E bonds." I don't have to rub your nose in it to tell you what I am trying to do. What the hell does Jake Viner know about this? What the hell does he know about salesmanship? And they talk about the people worrying! Mr. Bell can make it sound simple enough so they can understand it, and here is something attractive for the fellow that held this thing for ten years.

MR. COYNE: Our objection to the conversion was the conversion setup the way it was. We wanted to permit them to push out another bond to them.

MR. BELL: You are about ten days behind. At the last conference that was all changed, and I thought Ted was still against it.

H.M.JR: That doesn't mean that Bob isn't right.

MR. GASTON: What is your proposal now, Dan?

H.M.JR: It doesn't mean Bob isn't right.

MR. BELL: Bob said their main objection was at first when they set it up that they would send their securities into the Federal Reserve Bank in order for us to maintain this limitation.

H.M.JR: That is where I am. Have you changed from that?

MR. BELL: Yes, we have now come around to permitting the holder to turn it into any bank qualified as an issuing agent and get another bond, but we lose some control over it by doing that. But we have lost a lot of control in this operation.

H.M.JR: Look at the control you lose. You won't even let me send a letter.

MR. BELL: We have lost a lot of controls on savings bonds in order to keep up with this thing. Ten years from now we will begin to reap it.

(The Secretary leaves the conference temporarily.)

H.M.JR: Now, where are we? Where do you fellows stand? I thought you would be fighting for this thing.

MR. BELL: Mr. Secretary, you are going to get some kicks to this if you don t have some sort of exchange, but the people from whom you are going to get kicks are the ones who hold the limit, five thousand limit of E's or the limit of A's and can't go back. They are probably going to be very few, but the fellow who has been on our

mailing list for so long--we had one hundred and sixty thousand of them at one time that wanted to come to the Treasury every month and get a bond, and that was sort of a new item. Now, if they keep that up, as many indicated they would, and they haven't reached the five thousand limit, they can go into any bond anyhow, see, just by taking these bonds in and getting the proper receipt and investing it. But the fellow who has the limit is the fellow you are going to get the kick from.

H.M.JR: What I am trying to say is, if you want, not so much the present fellows, but Henry Murphy's eighty-five million other fellows who know if they are going to hold this for ten years--if at the end of ten years they have a limit, they are going to be allowed to convert it into another bond as good, look at the sales argument I have got on it. I think it is the best argument I have got on it. I think it is the best argument I have heard, I can say modestly, as to why a fellow should hold it for ten years. I mean, if I know at the end of ten years that it is a policy that I can convert into as good a piece of paper, it is a hell of a good argument to hold on to.

MR. COYNE: It is a good sales argument.

H.M.JR: For the eighty-five million people--you can say to the fellow when the war is over, "Just remember, I can't promise what the next Secretary of the Treasury will do, but you can hold on to this thing, and it is a damn good piece of paper.

MR. MURPHY: Could I speak on the reasons for not doing it, Mr. Secretary?

H.M.JR: I will be pleased to hear from you, Mr. Murphy. I know everybody is against me. That is what Jake told me. He told me that when he raised the point nobody in the room wanted to wrestle with me. They thought I had made up my mind and there was no use, and everybody in Bell's room was for paying off. I am only quoting Jake Viner.

MR. GASTON: By not giving in, of course, they have got a chance to buy. You can't deprive them of that. What they object to is extending the limit so as to let them have it.

H.M.JR: No rights, see--any piece of paper now coming in you have to have rights to convert into something else. But here come these fellows, and they say, "No, he has no rights."

MR. GASTON: The right you are proposing is the right to extend the limit to hold fifteen thousand instead of five thousand.

MR. BELL: That is right.

MR. GASTON: Current bonds?

MR. BELL: That is the only right.

MR. GASTON: I am in favor of it. I think it is a good idea.

H.M.JR: That makes two people now.

MR. BELL: I am lukewarm.

H.M.JR: That is not what Viner said. He said you were all against me.

MR. MURPHY: I would like to speak in defense of Viner.

MR. GASTON: It is a minority in numbers of people. It is a minority to whom that is a right. The little fellow hasn't got five thousand dollars' worth for this year.

H.M.JR: Can't we cater to the minority group?

MR. GASTON: It is a good idea to give them a little sweetening.

MR. COYNE: Saleswise I think it is a very attractive situation. We would be suckers not to take exchange from a sales point of view, but from a fiscal point of view--

MR. BELL: It would be easier for us to pay in cash, but don't let that worry you, because we will get around the other end, too.

MR. GASTON: My idea of the value is, it is a psychological value.

MR. BELL: The other side argues it is of psychological value to pay them in cash.

MR. GASTON: We are going to pay cash to whoever wants it. It would be a mistake to exert pressure in favor of an exchange.

MR. BELL: You haven't anything to offer when you offer a refunding.

H.M.JR: Listen, Henry, stand up and yell.

MR. MURPHY: I think it should be said that neither Mr. Gaston nor Bob Coyne were in the conference at which this decision was made; and while the people were sort of changeable in their advice--

H.M.JR: What? Everyone at the meeting believed it would be better not to extend the limit, and I think it should also be added that Mr. Bell was very lukewarm. I think the degree of intensity ran from Mr. Bell, who was tepid, to Jake, who was sizzling, and--

MR. BELL: Sort of in between?

H.M.JR: Where was Gamble?

MR. MURPHY: Gamble was there, and he agreed with us. He was part of this unanimous opinion.

MR. GASTON: He agrees with it in that memo. That says he would prefer not to have any special rights on the exchange.

MR. MURPHY: And he told us he had indicated that to you, Mr. Secretary.

H.M.JR: I hadn't read it. I thought it was from Bell.

MR. COYNE: That is from Ted?

H.M.JR: This is from Ted.

MR. MURPHY: Since I seem to be the only representative of the majority of the meeting who felt the matter rather deeply, I would like to say what our feelings were in the first place.

H.M.JR: I am listening.

MR. MURPHY: In the first place, it seems only a small minority of the people in the U. S. are likely to see or read or understand any notices put out with respect to A bonds for refunding--but most of the people in the U. S. have heard rumors that savings bonds may be frozen, and any announcement that you put out will reach the majority of the people in the U. S. in a vague and distorted form, and can very easily be interpreted as meaning--

H.M.JR: You mean the way Mr. Bell writes the circulars they are vague and distorted?

MR. BELL: I think he means they won't read the circulars.

MR. MURPHY: They won't even read the press release. What they will hear is the extraction of the sentences to the effect that Secretary Morgenthau has asked the people that have A bonds not to take their money, and they will interpret it like when the British Government asked the people to convert war bonds in 1942. If you don't, you are ostracized. It is inevable, it seems to us, that many people will interpret this as just another straw that indicates a freeze is in the wind.

On the other hand, it seems to us this is a fine opportunity to strike a blow against the notion by paying

the bonds off in cash. I would prefer that the bonds be paid off in cash without much notice. When a hen is going to lay an egg, it cackles, but when the Treasury pays a bond, it is taken for granted, and it doesn't cackle. We just pay bonds. That is what they are.

H.M.JR: You don't do it in any other case, why be so damned moral in this thing? If you don't do it, Henry, this is going against the tide. What is the use? I mean, this is doing it differently than we do it every month. But Bell is talking about giving these damn bills right when you turn them over and every other thing, except the bills of rights.

Now, I mean, why suddenly should the whole Treasury be getting so moral about this thing?

MR. MURPHY: I don't think it is a question of morality, Mr. Secretary; I think the first question is a question of pure expediency. I think it is a question of good psychology against bad psychology. We are dealing here with an unsophisticated bond holder. I am not referring to the minority of people who hold the limit of these bonds, and I would like to say in passing that more than half of the series A bonds have been held by people who hold the full limit, and eighty-five percent of those originally sold were sold in thousand and five hundred thousand pieces, and more than ninety-five percent are probably in such pieces, so we are not dealing with many people, but a very select type of people, and those people are sophisticated enough to know what you are proposing to them.

H.M.JR: Your argument seems to be on both sides.

MR. MURPHY: No.

H.M.JR: If you are dealing with a sophisticated group and they get a circular which is written in good simple English and starts right off saying, "You can take this bond to any national bank in the United States and get it paid off," and then the next thing you say is, "However, we feel that in view of the fact that you have loaned your

money for ten years to the Government, part of which time we have been at war, it is only fair to give you a right to convert into the present series E bonds--" now, I am thinking about the backlog of the eighty-five million people; what is the inducement for them to hold the damn thing?

MR. MURPHY: The fact that they buy them at eighty-five and get one hundred for them, and they got interest--

H.M.JR: All right, supposing somebody comes along with a good twenty-year commercial bond and says, "At the end of ten years, where are you?" You can say, "You have got your money back. You have gotten nothing for your investment."

MR. MURPHY: For eighty-five million people--

H.M.JR: Henry, you can't sell it to me. You just can't sell it to me, but the argument which Viner used, which you haven't, is to pay these fellows off. Would you do it over again? Supposing this was August. Would you go through that whole business over again?

MR. GASTON: Suppose you had this whole decision to make again.

H.M.JR: In reference to E bonds?

MR. BELL: Oh, yes. I think we had to come to that sometime or other. What we did it for in October was to get the experience before the avalanche. I think eventually we had to come to this because the Federal Reserve Banks are not big enough to handle the job, and then you would have delays in payment, which would be the worst thing that could happen. The people would say that the Government is defaulting on its debt.

MR. COYNE: We would have announced it a little differently, but the reaction to that has been pretty good. Likert has just finished a study which shows that ready redemptions at banks has done considerable to the freezing rumor.

H.M.JR: A couple of months ago we knew this month was coming, and we should have had Likert go and make a study, but we haven't done it.

MR. BELL: We have had some letters from people indicating they hoped the Treasury would offer them something they can--

H.M.JR: I tell you what you do. Supposing you get a dozen of your State chairmen on the phone, will you, and put this thing up to them? Will you do that today for me?

MR. COYNE: I will, gladly.

H.M.JR: Supposing you call up a dozen of them. Don't do it all in the big States, either.

MR. COYNE: All right, I will take a poll of twelve smaller States.

MR. GASTON: I think it is a good idea to get rights. The only thing that bothers me about rights is they are too limited. If we had something to give the typical holder of these bonds--although I suppose the typical holder has become the ten thousand and under, hasn't he?

MR. MURPHY: That is right.

MR. GASTON: I still think it is a good thing even though in most cases he is a high-income man who is getting the income of it.

H.M.JR: If the first time since I have been here I give that fellow the breaks, I am not going to worry about it.

MR. BELL: It was suggested by Bob Rouse that you extend the bond and give them two, nine one for another ten years. That is treating him a little differently.

MR. GASTON: That is a little too liberal. I was telling Dan that Bob Kramer, my son-in-law, suggested that

you put a sticker on the bond with a new schedule of redemption values. Give him a little better than just the E bond, but giving him the two, ninety-one is a little too much.

MR. MURPHY: You would have to have them sign a waiver of the tax exemption privilege--partial tax-exemption; you have got to cancel it.

MR. GASTON: That is a complicated feature.

H.M.JR: When do you pay your taxes, when it becomes ten years old?

MR. BELL: You have an option. You pay it as accrual or pay it when you get your money. They would have to pay it now.

H.M.JR: By accrual, do you mean pay it yearly?

MR. BELL: Include it in your income tax.

H.M.JR: Or at the end of ten years. Mr. Bell is lukewarm; Mr. Murphy is adamant; Mr. Gaston agrees with me, and Mr. Coyne--Bell, I think you won Coyne over.

MR. COYNE: I am not up to date; that is my trouble. I didn't know how I felt until I read this memo. I will take that poll.

H.M.JR: He ought to--he knew you were coming over, and he should have given you a copy of that.

MR. COYNE: He dictated that just before six, and then we both dashed out.

H.M.JR: Supposing you get on the phone and do a little phoning, and then we will meet again tomorrow. How is that?

MR. COYNE: Fine.

H.M.JR: Maybe Mr. Gamble will be here. I have never worked so hard to give you fellows a sales argument in my

life. I am exhausted. I will tell you now.

MR. BELL: What are we going to do when we come to E's if you have to work this hard?

H.M.JR: Will you bring it up at nine-thirty group tomorrow? I am just exhausted.

Henry, you are all right.

Wait a minute, Coyne, I want to give you this thing. I will give it to all of you. Please don't let them weigh Dave Levy down so when he has something for me he can't do it. Ostensibly, he was brought in to help me.

MR. COYNE: That is his first chore.

H.M.JR: Herbert, you will need that. Have you got one? That is for you. (Indicates copies of speech Secretary is to give on the air Sunday, February 11, 1945.)

MR. COYNE: We have checked everything we put in, and the first paragraph comes from Lieutenant Levy. General Marshall never said anything to me, so we haven't any way of checking it. I don't know what the--

H.M.JR: Have Fitz check with General Marshall's office.

Operator: He's out of his office, but I'll try to find him.

HMJr: Oh.

Operator: They said he came towards your office. He may be outside; I'll check with Fitz.

(Pause)

Operator: Charlie Bell.

HMJr: Hello.

Operator: Go ahead.

HMJr: Charlie.

Charlie Bell: Yes, sir.

HMJr: You can tell Nunan and Joe O'Connell I like this fellow Sherwood. Hello?

B: Bill Sherwood, yes, sir.

HMJr: Put him through as Assistant Commissioner.

B: I see. Well, he's a good man.

HMJr: Yeah.

B: All right, sir.

HMJr: Now, I want to be consulted on his successor over there.

B: On Bill Sherwood's?

HMJr: Yeah.

B: Yes, sir.

HMJr: He recommended a fellow by the name of Allen.

B: Allen?

HMJr: New York.

B: C. B. Allen from New York.

HMJr: Yeah.

B: And another good one is that fellow Tom Acheson.

HMJr: Well, I don't know but I -- I want to be consulted.

B: All right, sir. We'll set it that way.

HMJr: Where are you?

B: In my office.

HMJr: Just step into my ....

B: Yes, sir.

HMJr: By my elevator. I want to talk to you.

B: Right.

HMJr: By the elevator.

B: All right.

February 6, 1945
11:45 a.m.

FRENCH LEND-LEASE

Present: Mr. White
Mr. Glasser
Mr. Aarons

H.M.JR: How late did you work last night, Glasser?

MR. GLASSER: Not very late. I got up a little early this morning.

H.M.JR: How about you Buzz?

MR. AARONS: About eleven o'clock.

MR. GLASSER: And we were here about eight o'clock this morning.

H.M.JR: I haven't been pushing you. Who in the hell has been pushing you?

MR. WHITE: That's the situation. They said they would have to have this ready by this morning, because we can't -- we would like to settle this before Monnet comes to lunch.

H.M.JR: These fellows go overseas, live easy, have a bed of roses and wonderful food!

MR. AARONS: I was working on this all evening.

MR. WHITE: Didn't you tell me when you were in London you worked almost every evening until eleven o'clock?.

MR. AARONS: We should have been able to do our work in the day time.

MR. WHITE: There was a great deal of discussion as to how to end this thing, and we think the only way to expedite settlement and get what you want is for a memo like this to be signed and initiated by representatives of the French,

British, and American Governments, and to be accompanied by the overall master Lend-Lease Agreement. We have a copy of the master Lend-Lease Agreement, but I think that this memo states it very--

H.M.JR: Crowley is going to be here?

MR. WHITE: Yes, there may be some hope of signing it because Crowley is with you, and Cox and the others less so. Did we state the issues?

H.M.JR: Let me read it. You are so full of rushing, you know. I like to sit by the fireplace and take life easy.

MR. WHITE: O.K. I thought you were going to spend today and tomorrow at home.

H.M.JR: I was going to. He doesn't know it but I was giving Joe DuBois eight o'clock tonight to work on the book.

MR. WHITE: Yes.

H.M.JR: You insisted on three o'clock, so I cancelled Roy Blough four times, so I had to see him today.

(Secretary reads "Memorandum of Understanding between the United States Government and the Provisional Government of France.")

"It is recognized by the two governments concerned that, in connection with the signing of a master lend-lease agreement between the United States Government and the Provisional Government of France, it is desirable that a clear understanding be reached of the type of program intended under such lend-lease agreement.

"1. It is understood that under such lend-lease agreement the United States Government intends to furnish the following category of items on a straight lend-lease basis

to the Provisional Government of France: Raw materials for war use and for essential civilian supply (metals, steel, chemicals, synthetic rubber, drugs and medical supplies) Food (milk, pulses, edible oils, oil seed, seeds,) petroleum supplies, French prisoner-of-war supplies, Short-life manufacturing equipment for war production, Freight charges (rental and charter of vessels)."

H.M.JR: What are milk pulses?

MR. GLASSER: Pulses, they are beans, the whole category of that type of vegetable--beans, dried beans.

H.M.JR: What kind of wood is pulses?

MR. GLASSER: Pulses? That's a term they use.

MR. AARONS: FEA had that in their list. That is one of their technical words.

H.M.JR: Pulses?

MR. GLASSER: Yes, it is a word used in all supply programs.

MR. WHITE: Maybe it is misspelled.

MR. GLASSER: Those are dried beans.

H.M.JR: Don't tell me they are dried beans!

MR. GLASSER: Maybe it is a British word.

H.M.JR: I thought it was milk pulsing, these milking machines.

MR. WHITE: That isn't all the food amounts to, is it?

MR. GLASSER: There is no wheat.

H.M.JR: Twenty percent is what you said?

MR. WHITE: They want fifteen and twenty-five, so we thought we could come to an agreement on twenty.

MR. AARONS: That's a good chance for a bet.

(Mrs. McHugh enters conference with dictionary.)

H.M.JR: Pulses, are they dried beans?

MR. McHUGH: That's right.

H.M.JR: I won't believe it until I see it.

I apologize.

MR. AARONS: I just won ten pounds from Taylor on that word.

MR. GLASSER: I used that word for six months before I knew what it meant.

H.M.JR: That's a new one on me. You would have lost money on that yourself.

MR. McHUGH: I certainly would have.

(Mrs. McHugh leaves conference.)

H.M.JR: You bet Taylor ten pounds?

MR. AARONS: We used to bet on words like that, and I always won.

(The Secretary continues reading.)

"2. It is understood that under such lend-lease agreement, the United States Government intends to furnish the following category of items on a 20% down payment basis to the Provisional Government of France: Locomotives, railroad cars, merchant marine, harbor watercraft, fishing fleet, inland watercraft (barges), metal working machinery, general industrial equipment, machinery for mines, arsenals, etc. The down payment shall be made to the United States Government against current monthly billings equivalent to 20% of the

amount which the United States Government has contracted to pay for the production, storage, and transport of such items.

"3. The program of lend-lease aid under paragraphs 1 and 2 hereof will be drawn up after consultation with the Provisional Government of France and will not constitute a firm commitment. Actual delivery will be subject to the changing demands of strategy, to supply and transport considerations and the usual considerations of procurement and allocation.

"4. The Provisional Government of France will pay the United States Government the contract price plus any accrued charges for any items in either of the foregoing categories which may have been contracted for but not delivered at such time, after the cessation of organized enemy resistance in Europe, as the United States Government may decide to discontinue the provision, on the basis set forth above, of part or all of the items enumerated in this memorandum. In the alternative, the Provisional Government of France may, at its option, decline to take delivery of any such items after such date, and pay merely an amount which will save the United States harmless from any loss arising out of the procurement of such goods.

"5. The terms of payment of the unpaid balance under paragraph 2 hereof and the terms of any payments under paragraph 4 hereof will be on a credit basis established by the United States Government after consultation with the Provisional Government of France. These credit terms shall be equivalent to the terms granted to other allies for similar arrangements.

"6. It is understood that the Provisional Government of France will pay in cash to the United States Government for any lend-lease supplies transferred to France on a straight lend-lease basis which France exports directly or as component parts to any area outside of Metropolitan France.

"7. It is further understood that the Provisional Government of France will pay for all civilian supplies furnished or to be furnished to the French colonies by the United States Government and will also pay for all supplies furnished or to be furnished by the United States Government to Metropolitan France under the so-called Plan A or other military program.

"8. It is understood that the foregoing program will be re-examined periodically, but particularly immediately after the cessation of organized enemy resistance in Europe, and that adjustments in the program appropriate to the situation will be made after consultation with the French authorities."

H.M.JR: It's all right with me.

MR. WHITE: May we point out what they will object to? This has not been drawn out in collaboration with them.

H.M.JR: Now that I know pulses is right, it is all right with me.

MR. WHITE: We couldn't agree on their complicated draft, and the boys drafted this to bring out the points simply, and they will object to several things. First--

H.M.JR: Don't bother to tell me what they will object to; just tell me how you overcame their objections.

MR. WHITE: We haven't. We expect you to do it with Crowley.

MR. GLASSER: Cox refused to draft the document on the basis on which this is drafted. He said that is so unacceptable that he wouldn't even draft it, so we proceeded to draft it.

MR. WHITE: And he wouldn't.

H.M.JR: Are we going to have a free-for-all here?

MR. WHITE: Not with Crowley. Crowley will be in agreement.

H.M.JR: Couldn't you slip over and show this to Crowley beforehand?

MR. WHITE: Yes, but Crowley has already indicated--see, Cox will give him a lot of new argument about it, and I thought we could give you one or two of them and see how valid they are.

H.M.JR: Do it as we go along, what the heck!

MR. WHITE: What do you think the worst single objection is?

MR. AARONS: They want to make this a long-term credit commitment with France, and we have even gotten away from that.

MR. WHITE: What they will object to mostly is this paragraph.

H.M.JR: I tell you, Harry, we will hear what's his name at lunch and see what he has to say--Monnet--and if you want to stay behind after lunch, we will see. You can lead the argument at three o'clock and I will listen.

MR. WHITE: All right. Well, we have had a number of meetings, and every time we think it is all right, the boys get to drafting something else.

H.M.JR: I am taking the lead and I will be tough.

MR. AARONS: What do you think about showing this to Monnet?

H.M.JR: He has asked to see me. He will do the talking.

MR. WHITE: Why not send a copy to Will Clayton so they won't ask for a chance to see this thing when they come?

I have a couple of other things.

H.M.JR: I am bushed.

MR. WHITE: Maybe you can handle that while you are bushed?

H.M.JR: No. I have a couple of things I just have to do. I am seeing you at lunch.

Stimson first

3/6/42 274

Memorandum of Understanding
between the United States Government
and the Provisional Government of France

It is recognized by the two governments concerned that, in connection with the signing of a master lend-lease agreement between the United States Government and the Provisional Government of France, it is desirable that a clear understanding be reached of the type of program intended under such lend-lease agreement.

1. It is understood that under such lend-lease agreement the United States Government intends to furnish the following category of items on a straight lend-lease basis to the Provisional Government of France:

Raw Materials for war use and for essential civilian supply (metals, steel, chemicals, synthetic rubber, drugs and medical supplies)
Food (milk , pulses, edible oils, oil seed, seeds)
Petroleum supplies
French prisoner-of-war supplies
Short-life manufacturing equipment for war production
Freight charges (rental and charter of vessels).

2. It is understood that under such lend-lease agreement, the United States Government intends to furnish the following category of items on a 20% down payment basis to the Provisional Government of France:

Locomotives
Railroad Cars
Merchant Marine
Harbor Watercraft
Fishing Fleet
Inland Watercraft (Barges)
Metal Working Machinery
General Industrial Equipment
Machinery for Mines, Arsenals, etc.

The down payment shall be made to the United States Government against current monthly billings equivalent to 20% of the amount which the United States Government has contracted to pay for the production, storage, and transport of such items.

3. The program of lend-lease aid under paragraphs 1 and 2 hereof will be drawn up after consultation with the Provisional Government of France and will not constitute a firm commitment. Actual delivery will be subject to the changing demands of strategy, to supply and transport considerations and the usual considerations of procurement and allocation.

4. The Provisional Government of France will pay the United States Government the contract price plus any accrued charges for any items in either of the foregoing categories which may have been contracted for but not delivered at such time, after the cessation of organized enemy resistance in Europe, as the United States Government may decide to discontinue the provision, on the basis set forth above, of part or all of the items enumerated in this memorandum. In the alternative, the Provisional Government of France may, at its option, decline to take delivery of any such items after such date, and pay merely an amount which will save the United States harmless from any loss arising out of the procurement of such goods.

5. The terms of payment of the unpaid balance under paragraph 2 hereof and the terms of any payments under paragraph 4 hereof will be on a credit basis established by the United States Government after consultation with the Provisional Government of France. These credit terms shall be equivalent to the terms granted to other allies for similar arrangements.

6. It is understood that the Provisional Government of France will pay in cash to the United States Government for any lend-lease supplies transferred to France on a straight lend-lease basis which France exports directly or as component parts to any area outside of Metropolitan France.

7. It is further understood that the Provisional Government of France will pay for all civilian supplies furnished or to be furnished to the French colonies by the United States Government and will also pay for all supplies furnished or to be furnished by the United States Government to Metropolitan France under the so-called Plan A or other military program.

8. It is understood that the foregoing program will be re-examined periodically, but particularly immediately after the cessation of organized enemy resistance in Europe, and that adjustments in the program appropriate to the situation will be made after consultation with the French authorities.

February 6, 1945
12:13 p.m.

277

HMJr: Yes.

Operator: McCloy.

HMJr: Hello.

John McCloy: Hello.

HMJr: Good morning.

M: How are you?

HMJr: Oh, pretty good.

M: I haven't talked to you about these French businesses since we have been having our meetings.

HMJr: Yes.

M: But I wanted to give you my thoughts for what they were worth. In the first place, I haven't got any judgment that really is worth anything on the amount to which they should -- their dollar exchange should be reduced. That's a financial matter and I don't know the balance sheet half as well as your people over there do.

HMJr: Yes.

M: So that I can't really contribute very much on that. It would take some studies and other people who are more competent than I are doing that study. I have, in general, the feeling that -- that we should be liberal rather than harsh. That's from a military point of view -- that we'd like to get that place quiet and happy and avert any -- any dissension.

HMJr: Yes.

M: Secondly, I think that so far as the -- as to the immediate military interest is concerned, they're all taken care of by the arrangements which are now contemplated; that is, the payments out on Plan A.

HMJr: Yeah.

M: And the other payments that are to be made in general reduction of their indebtedness. Therefore, I don't think that I can give any estimate on anything other than a general approach.

HMJr: Do you know about this three o'clock meeting today?

M: No. No.

HMJr: God damn it! Why don't somebody tell you.

M: No.

HMJr: Clayton called up all hot and bothered this morning. He had to see me at three o'clock. I rearranged my whole afternoon.

M: Yeah.

HMJr: They want to settle it.

M: Uh huh.

HMJr: Well, didn't he tell you?

M: No, he didn't tell me anything about a three o'clock meeting at all.

HMJr: Well, I don't know. I -- gee whiz!

M: At any rate ....

HMJr: I hope you can be here.

M: Well, let's see what I've got.

HMJr: You and Hilldring. I rearranged my whole afternoon.

M: Well, I've got a date then, but I can probably change it.

HMJr: I say, I rearranged my whole afternoon. They want to -- Crowley's coming.

M: Yes. Well, I'll come if you want me.

HMJr: Well, I do, because ....

M: All right.

HMJr: .... I'd like to get this thing settled and I don't see how the hell we can settle it with the Army not present.

M: No. Well, I'll be ready to come if -- if you say the word.

HMJr: Well, I'd very much like you and Hilldring.

M: All right. I'll bring Hilldring, too.

HMJr: And then you could say -- repeat here if the thing isn't going the way you like it -- God damn it, it ought to be settled this afternoon. They've been fussing around with this thing now too long.

M: Oh, I know. It ought to be settled. There's no question about it. And I -- I urge strongly that it be settled because I'm afraid we'll build up a ....

HMJr: Well, Jack, it can be settled this afternoon. See?

M: Yeah, certainly it can. Well, I'll -- I'll come, and if that's the idea, I'll drop everything else.

HMJr: Well, I didn't arrange the meeting. If I had, you'd have been told a long time ago.

M: All right. I'll be there.

HMJr: Thank you. Good bye.

February 6, 1945
2:08 p.m.

HMJr: .... on the phone. It's a bad day. Talk fast.

Josiah DuBois: Well, the point was that we're disturbed about O'Dwyer on Inter-governmental Committee. I understand he's not too ....

HMJr: Well, I am concerned now, too, that he's a -- you know.

D: Yeah.

HMJr: U. S. District Attorney. I withdraw my suggestion.

D: Fine. I know you won't like this but I still think that (Name mentioned here is inaudible) would be a good man for something like that.

HMJr: It's just as well we're on the phone. Good bye. I withdraw my ....

D: We can withdraw that other anyway.

HMJr: That's right.

D: Okay.

HMJr: Good bye.

Dan Bell: Hello.

HMJr: Dan.

B: Yes, sir.

HMJr: Why is Randolph Burgess resigning as a dollar-a-year man? He wrote me a little note.

B: Yeah. He said the other day that he was on this committee, as a member -- you know, of the A.B.A. Committee, and chairman of it, and was working in that capacity, and also is chairman of the A.B.A. And he thought that it was probably wrong now for him to be on the Treasury payrolls at a dollar-a-year.

HMJr: Nothing else?

B: That's all. And he just said, "I think it's in order for me to resign." And I said, "Well, I don't think it's very important." And ....

HMJr: Well, that's fine. Tell me, any calls from any bankers today?

B: Not a one.

HMJr: Not a one?

B: No. You mean on your statement?

HMJr: Yeah.

B: Not a one at all, and I -- the papers I've looked at, it didn't get a lot of wide publicity.

HMJr: No.

B: I didn't see a thing in the Tribune.

HMJr: Well, the Post had the best article.

B: The Post, and the Times had a little article. The Journal of Commerce and Wall Street Journal I don't believe commented on it at all, did they?

HMJr: No.

B: I couldn't find it.

HMJr: Well ....

B: So that -- I don't know what it was outside of Washington -- outside of Washington and New York, but I wouldn't say that it went over as big as the boys thought....

HMJr: No.

B: .... that it might there yesterday.

HMJr: No.

B: They seemed very enthusiastic....

HMJr: Yeah.

B: .... for the moment.

HMJr: Okay.

B: All right.

February 6, 1945
3:00 p.m.

FRENCH LEND-LEASE

Present: Mr. White
Mr. Clayton
Mr. McCloy
Mr. Cox
Mr. Angel
General Hilldring
Mr. Mitchell
Mr. Davidson
Mr. Hannegan
Mr. Glasser
Mr. Aarons

MR. COX: Mr. Crowley asked me to give you his apologies. He has to go up on the Hill again this afternoon. He has been there all morning, and he has got to go back.

H.M.JR: Mr. McCloy and General Hilldring are coming. I took the liberty of asking him.

MR. CLAYTON: I am glad you did. I would have asked him, but he said yesterday or the day before he didn't think his view about these financial matters was very helpful, but I am glad you asked him.

H.M.JR: I think he is interested because he called me up this morning, and, well, he has an interest, and--

MR. CLAYTON: Yes, I am glad you asked him; I am glad he is coming.

(Mr. Glasser and Mr. Aarons enter the conference.)

H.M.JR: Get everybody to sink or swim together. I am going to lock the door today and settle this thing. How does that suit you, Mr. Clayton?

MR. CLAYTON: That suits me fine.

(Discussion off the record.)

MR. CLAYTON: Shall we wait for Mr. McCloy?

H.M.JR: He is usually very punctual.

Why is Mr. Crowley up on the Hill?

MR. COX: For Lend-Lease extension.

(General Hilldring and Mr. Davidson enter the conference.)

H.M.JR: Where is Mr. McCloy?

GEN. HILLDRING: I don't know.

H.M.JR: Mr. Clayton, will you proceed?

MR. CLAYTON: Mr. Secretary, just five minutes ago I was handed this memo drawn up by the Treasury, and I haven't had time yet to read it. I have been tied up with some other meetings. Mr. Mitchell handed it to me.

MR. WHITE: For the Secretary's benefit, I sent it the first thing this morning.

H.M.JR: White has tried to cover up his own tracks. He just wants to make sure he has convinced me he sent it over.

MR. CLAYTON: Perhaps you have had time to digest it.

MR. COX: I have read it over. I would say, Mr. Secretary, that there are two major things. One is, the draft of the document does not fit the legal basis under the Lend-Lease Act, and I think there ought to be certain knowledge of what the history and what the policy functions are.

The second major point is that when you talk about firm commitments suspended in mid air, we have got to look out first for what is in the interest of the U. S. within the framework of the Act. If you are going to have a 3-C agreement under Lend-Lease, you need a firm commitment subject to the powers of the President to withhold any supplies that he wants to withhold in his own sole discretion, and the second part of it is that I think if you leave vague some of the terms, I don't care whether you call it a memo of understanding or a contract, it is all the same substance; and I think you are likely to have more trouble with negotiations with the French and more misunderstanding at some later date by not nailing down with some degree of precision what you intend to do, and what you want, as well as what it is we are going to supply, subject to an escape clause, as part of the President's right to withhold any of these supplies.

H.M.JR: Well, I don't know whether--this is what I was told this morning, that you said you didn't want to draw it, and it was up to our men to draw it, and they did the best they could.

MR. COX: We have one drawn, and I agree with you that we have got to lock ourselves in the room to get agreement one way or another and get it disposed of, and I don't care which way we work.

H.M.JR: Have you got one? Has yours been furnished to us?

MR. COX: It is a modified one which--it's the same substance which was given before.

MR. WHITE: This is twenty pages.

MR. COX: Mr. Secretary, after the last meeting, as we understood it, you suggested the central idea that we follow the Russian agreement with one modification, and that is that the French would make some down payments based on percentage of delivery, which I think was sound.

This document we have gotten up is based precisely on that principle, and we think it is within the legal power of the Lend-Lease Act, and what you need to do the job.

H.M.JR: Now, would you mind--I can't read this; my eyes aren't good enough. Can you tell me what is in it?

MR. COX: I can tell you the principles, and I can tell you the points at which these things vary.

MR. WHITE: Oscar, could you talk about the shortcomings of this, because we are familiar with the export one, and it brings out the points so we can see where the difference lies.

MR. COX: I will enumerate the long draft in substance. In the first place, you have got two different types of supplies here; one is the raw materials for war production, and the other is consumers' goods which everybody has agreed in principle should move as straight Lend-Lease until it is determined they are not eligible for Lend-Lease because of the end of the European war, or other factors.

MR. WHITE: That is under one; it is clearly stated. That is what we thought we were stating.

MR. COX: It isn't. I think your thought may have been the same principle. The 3-C provision of the Lend-Lease Act, which obligates the French and gives us the power for three years after the termination of the Act to continue, says this in substance, that you can't transfer any goods under Lend-Lease after the terminal date, except where it is necessary to carry out a contract with a foreign government. Now, in order to do that, you have got to have some commitment in the form of a contract to supply certain goods to a foreign government. That commitment may be conditioned by what the lawyers call a conditioned subsequent, in that the President can withhold any of the supplies he wants to.

MR. WHITE: That is already over my head.

H.M.JR: I am going to say I think it is damn nonsense. Why in God's name can't this sort of conversation go on outside of this office before you come in? What has happened in the last ten days?

MR. COX: We can tell you that, Mr. Secretary. We followed--

H.M.JR: Why do I have to sit in on a legal disucssion like that?

MR. COX: Let me point out that we started on the basis you proposed at the last meeting, and your fellows have switched around five different times instead of sticking to the principle that was there.

MR. WHITE: We are trying to meet your compromises and meet your needs.

MR. COX: No, but you fellows have changed the underpinning at least five different times instead of finding out what the Lend-Lease Act said or didn't say. And as late as yesterday afternoon we had a meeting, and five minutes afterward you changed the ground rules. We are willing to roll with the punches, and I agree with the Secretary that that kind of technical discussion ought not to be put before him.

MR. CLAYTON: May I suggest this, that there are just two questions of principle here, Oscar, that are bothering us, and perhaps we might agree ourselves as to those two questions. And if we can agree on those two questions, then it will be a more or less simple matter to write an agreement that we could all support, I think, with the French, and those two questions are: Number one, the question as to how much cash we would ask the French to pay in respect to certain categories of goods under this Lend-Lease agreement. That arose from the desire to see that the dollar and gold balances which they have as of this moment should, in connection with Lend-Lease, or otherwise, be reduced to some figure lower than what they are today before we would contemplate furnishing these goods on straight Lend-Lease or 3-C credit terms. I believe I stated that correctly, Mr. Secretary.

H.M.JR: As far as I am concerned, you have.

MR. CLAYTON: That's number one. Number two is the question of the power of the United States Government to review this agreement or to cancel this agreement at the end of the war in Europe. I think that is number two. Now, can we not agree ourselves as to those two questions of broad policy and principle and see if we can't agree on those two things, and if we can, I think the rest of it is fairly easy.

H.M.JR: It's all right. To me it's even--the other thing that Oscar Cox said, going back to what you haven't mentioned--I don't have my dates straight, but the time we met, I think after you had these gentlemen for lunch Saturday--it must have been about a week ago today.

MR. CLAYTON: A week ago last Saturday.

H.M.JR: You came here the next Monday or Tuesday--I don't know which it was--and we agreed that we would more or less follow the Russian formula with the exception that we charge them a certain percentage down when they bought some of these goods. Now, in this memo White gave me this morning they say twenty percent. I don't know whether there is an agreement on that or not, but it's still X percent. I don't know whether you other gentlemen have come along, but if it is plus these other two things you said, what other things are there to argue about, other than possibly the percentage?

MR. CLAYTON: Well, in the beginning the only thing we had, as I understood it, was the question of the extent to which the French would use their own resources in the Lend-Lease procurement. That was the only thing, as I understood in the beginning, that we felt we had to agree upon with you. Now, later was introduced the question as to the United States Government being able, at the end of the war in Europe, to discontinue that agreement or to cancel it, or at any rate, to give the United States Government the right to review the matter. That came up secondary.

H.M.JR: That's right.

MR. CLAYTON: As I said a moment ago, they formed the two questions. I think we need to see if we can come to an agreement on these two questions. I don't think there is much going on.

MR. COX: Except one other point. This memo is not the Russian Agreement that was submitted to us today, and there is where the whole underpinning was changed, and if we concentrated on that with the two points you will make, we can get rid of that.

H.M.JR: Let's follow Mr. Clayton. You are stating it very clearly. Let's do one thing at a time.

MR. CLAYTON: Yes, we can discuss those two things.

H.M.JR: What's the first one?

MR. CLAYTON: The extent to which the French should use their own resources to procure these goods. You may have seen some of these figures. The ones I saw yesterday indicated that irrespective of any cash that the French might use in lend-lease that in eighteen months' time their balances would probably be down to a billion and a half without the use of any cash in connection with lend-lease. That was the FEA figure. I think the Treasury admitted that they would be down to about one, seven; or one, seven-fifty, something like that.

MR. WHITE: No, the Treasury did not agree with those figures, and the Treasury's figure gave them a much larger balance.

H.M.JR: The balance would go up from now on?

MR. WHITE: No, it wouldn't go up, but that it would be about two billion three, it would be close to two billion dollars, maybe a little less. There was about a four hundred million dollar difference.

MR. GLASSER: There is a six hundred million dollar difference between FEA and Treasury.

MR. WHITE: We thought it would be six hundred million higher than what they thought it would be, and we took allowances for that and attempted to compromise, and reduced very substantially the down payment that we would be calling for on category two.

MR. CLAYTON: I thought, Harold, that we agreed your figure would make it about seven hundred and fifty or it might have been one, eight or one, eight fifty.

MR. GLASSER: We were willing in view of the uncertainty in the figure that if we had a review of the program, we would be willing to go down to a twenty percent down payment.

MR. WHITE: That's why we reduced the amount on the payment. First we thought we would make it fifty, and then thirty-five, and then twenty-five, and we reduced it to twenty which is a very substantial payment, because the amount of cash they would pay out is pretty small under our proposal here.

MR. CLAYTON: I think that perhaps we might agree on a twenty percent figure, Oscar. We discussed it yesterday and you said ten percent and I think Harold first said a third, and then said twenty-five, and you suggested we might make it fifteen just as a compromise, but I don't think there is much between fifteen and twenty.

MR. COX: We would agree reluctantly; the only modification we would suggest is that you have no gap between the first payment and the first eighteen months, and the ten years. We think it would be more desirable to space twenty percent over a period of ten years with no grace period.

MR. CLAYTON: The twenty percent that is to be paid down as they get their goods. It is the eighty percent that you are talking about.

MR. COX: The one thing that was left up in the air in terms of the Russian Agreement is what you do under the down payment, and within the grace period of the first ten years.

(Mr. McCloy enters the conference.)

MR. McCLOY: Sorry to be late, Mr. Secretary.

MR. CLAYTON: As I understand it, what he is talking about--what Oscar is talking about, Mr. Secretary, is the question of the period of grace in the payment under 3-C terms of the remainder of the cost price in what we call category two, Schedule two, which is producers in capital goods. If we agreed on twenty percent, that leaves eighty percent to be paid under 3-C terms, and the contract as provisionally drawn, gave the French nine years of grace before paying anything on that eighty, which I understand is the form of the Russian Agreement.

MR. COX: That's right.

MR. CLAYTON: And I think myself, and I think perhaps you thought, Oscar, that that was undue liberality and that it is not called for by the circumstances, and that we might make that--let them start with that payment at once without any grace and put it over a period of how many years?

MR. COX: Thirty years.

MR. CLAYTON: Thirty years, but let it begin immediately so that--

MR. WHITE: Before you go on, may I suggest the way we would do it? Will you confine yourselves to the twenty percent down payment--the credit terms--I would like to discuss that a little, and get that settled.

MR. CLAYTON: I think, if, as I understand you, Oscar, we can agree on the other things that are involved, which are the escape clause, and this matter of the credit terms, that you would agree to the twenty percent.

MR. COX: That's right, with only one note of warning, and that is we feel by agreeing to it that you take certain risks on pressing the French too hard, which may cause certain repercussions here, but that is also in the picture.

MR. CLAYTON: Well, all right. Now, Harry--

H.M.JR: Wait a minute. Do I understand that there is an agreement here that the down payment should be twenty percent?

MR. WHITE: On category two items. There is one difference, however, which I was going to take up later, but it is a difference which we have presented now, in order to provide some kind of break on the number of contracts that are placed in view of the very generous credit terms which they will probably expect, and in order to avoid any subsequent discussions that we wanted the twenty percent paid according to specification formula which we have indicated. What paragraph is that?

MR. GLASSER: Three.

MR. WHITE: Three. We mention it and pass it and then come back to it. On the top of page two, "The down payment shall be made to the United States Government against current monthly billings equivalent to 20% of the amount which the United States Government has contracted to pay for the production, storage, and transport of such items." (Quoting from "Memorandum of Understanding between the United States Government and the Provisional Government of France.") In other words, they will pay the twenty percent down when they place the contract, not when they get the goods.

MR. COX: That's not only tough but it limits your hands on diversion. A lot of this stuff may have to be diverted to more strategic needs, and it would be more practical administratively to pay twenty percent when it is delivered and not when it's contracted for.

MR. WHITE: We can postpone that part until later.

H.M.JR: Let's do one thing at a time and settle something here today, see? Don't postpone anything.

MR. WHITE: Postpone it until this afternoon.

H.M.JR: Let's settle something here today, and I am not going to--we met on the 29th, and 31st, and I don't blame General Monnet for wanting--let's settle the thing.

MR. WHITE: All right, the twenty percent figure is settled. Now, let's try to settle the next item if you want to go down the line, and we feel those payments ought to be made the way it is suggested, and the reason is as follows: If it is twenty percent when they get the goods on many of these items, they are not going to get them for eight months, or a year, or a year and a half, even though the contracts are placed within a few months, and the decline in their balances will be serious at the end of a year, and I think we will look a little silly. The administrative down payment doesn't seem insuperable because you can give them a rebate or transfer to something else; that was our reason for putting the twenty percent down payment when the contracts were given. It was also a further break on the granting of contracts, because with these kind of credit terms I imagine the French will make every effort to place their contracts just as quickly as possible for it.

H.M.JR: May I ask for a little background which I haven't got? I am getting this fairly cold. If we do nothing, what will happen to the French balance? Just supposing if we would go along and have no down payment. What happens to the gold balance between now and July 1st?

MR. WHITE: My guess would be around two billion dollars.

H.M.JR: By when?

MR. WHITE: By the end of the year and a half from now.

H.M.JR: Do you people agree?

MR. COX: We don't agree because they start off at two billion, two, now.

MR. CLAYTON: They have two billion, two, now.

MR. WHITE: As the war continues, but that is on the assumption that the war continues.

MR. CLAYTON: They have got about three hundred to pay for North Africa and what they get on Plan A and on non-lend-leasable stuff. Well, when we head up the figures and their commitments to other countries, I don't see how Harry can figure they will have two billion.

MR. WHITE: Without going into details, we are apart about half a billion dollars. We are dealing with judgments and certain dates and that is under the assumption that the war is going to last eighteen months longer, which is a preposterous assumption, but that is what we have to pursue when we are defending this document.

MR. COX: Isn't it if the war doesn't last, their balance will go down faster?

MR. WHITE: It would be less by the time the war ends.

MR. COX: Within the eighteen months if the war should end say in three months?

MR. CLAYTON: I would think so.

MR. WHITE: It depends on what you do with lend-lease material.

MR. COX: Even on any material the pipeline stuff turns over when we have to pay for it.

MR. WHITE: We have already. The pro rata--the monthly rate will be greater, but whether the absolute monthly rate will be, depends on how much stuff you give on lend-lease.

H.M.JR: What happens to the eighty percent?

MR. CLAYTON: That is the second point.

H.M.JR: I want to know before I make up my own mind.

MR. WHITE: What we are suggesting against what they are suggesting--they are suggesting specific pattern of terms to follow what they say is the Russian offer, which means that they don't pay any down payments for how many years?

MR. COX: We accepted the second amendment to that which is that the Russian pattern be followed except to change the down payment and the rate of payments because of the French gold and their position, and what we suggest is twenty percent down and the current payments every year or from then on out under the Russian's terms with no grace period.

H.M.JR: The Russians had a nine year grace period.

MR. COX: Beginning at the end of nine years.

H.M.JR: And you divide eighty percent over--

MR. COX: Thirty years. I think you ought to take out eighteen months first, but the balance of twenty-eight years and six months ought to be in equal payments. The theory here is you want to get them within eighteen months to make a certain reduction in gold and dollars. If they have to make a down payment, a delivery, or on any other basis, you shouldn't put on top of that another part of a down payment, but space the balance with no grace period other than eighteen months, when they are going to make payments anyway.

MR. WHITE: That's what they are suggesting. We are suggesting that the termination of the payment of the unpaid balance shall be established by the United States Government after consultation with the Provisional Government of France. These credit terms shall be equivalent to the terms granted to the other allies for similar arrangements, but those terms will be postponed until the down payment. When the down

payments stop by virtue of cessation of hostilities on VE Day, we negotiate the terms, but the terms will be equivalent to those granted other countries on similar arrangements.

H.M.JR: I don't agree with you, Harry.

MR. CLAYTON: I think that is too liberal. The French could start paying on the eighty percent at once without any nine years of grace.

MR. WHITE: We wouldn't give them nine years of grace.

MR. CLAYTON: You say terms equal to what you have given other countries.

MR. WHITE: If you want to make the terms specific, I can, that's all right.

MR. COX: Eighteen months of grace.

MR. CLAYTON: He means the contract runs until the middle of 1946, and he means for the payments to start at the end of the contract, which, I think, is right.

H.M.JR: He put it differently.

MR. COX: I think the Secretary has what I had in mind, that they begin paying from the beginning, that the eighteen month period amounts, which are the twenty percent, run to the end of the eighteen months, that the balance is equally spaced. The one objection I have to Harry's counter-proposal is first you leave a misunderstanding in the future because you are not agreed. Suppose you come around to the French two years or so from now and say, "Do you want to pay on the basis we are talking about," and they say, "No." Well, you are bound to have an area of disagreement.

MR. WHITE: We said when settling the terms we would consult them.

MR. COX: Why should the French take that?

H.M.JR: May I give a rule? We talked about the Russian Agreement. I am sure the French will know about the Russian Agreement, and as far as I am concerned, if they are paid twenty percent down and then alongside ship--what is the correct shipping term?

MR. COX: On delivery?

MR. CLAYTON: Yes, that's what this memo--

MR. WHITE: F.O.B?

H.M.JR: Alongside the ship, and then the twenty percent is in lieu of the eighteen month's period, and then they begin to pay us at the end of eighteen months?

MR. COX: That's right.

H.M.JR: I am willing to say that--

MR. WHITE: They begin to pay us at the end of eighteen months the balance. The eighty percent will be distributed over how many years?

H.M.JR: Thirty years, he said.

MR. COX: Thirty years, twenty-eight years and six months.

MR. WHITE: No interest?

MR. COX: The same as the Russian's, which is interest at two and three-eighths.

MR. WHITE: The Russians haven't accepted that.

MR. COX: They know what the offer is.

H.M.JR: Is that all right with you?

MR. CLAYTON: Yes.

MR. McCLOY: That sounds all right to me.

H.M.JR: The reason I am saying that is this: We say in one breath we agree to do the same as the Russians, but in another breath ask them to pay twenty percent down and again to pay the balance, eighty percent, at the end of eighteen months, which is a good deal safer.

MR. CLAYTON: In that extent, in those two particulars, the contracting is harder on the French than on the Russians. Now, we have been able to justify that, and we think we justify it on the basis of their relative external buying power as expressed in their dollar balances and their gold. Whether we can or not, I don't know, but that's the basis on which we hope to justify it.

MR. WHITE: How much? Can you set a top to the amount you are going to extend under that 3-C?

MR. COX: I think you ought to. We can raise that now, but I think there are other questions. One is the question we'll raise. The other is your thing, and they both tie together.

MR. CLAYTON: Let's get these questions of principle settled now, if we can. Let me go over it and see if we have this delivery--we agree on twenty percent to delivery to the ship, which presumably is the invoice date.

MR. WHITE: You mean they pay twenty percent when it is delivered?

MR. CLAYTON: To the ship on this side.

H.M.JR: When the papers are handed to them alongside the ship. The ship's block, or whatever it is, hands the papers to them.

MR. CLAYTON: We make an invoice when they are delivered to the ship that the remaining eighty percent would be paid starting at the end of eighteen months, and extend over a period of twenty-eight and a half years.

H.M.JR: Not eighteen months in the contract, but it would be from July 1, 1946.

MR. CLAYTON: That's right, and extend for twenty-eight and a half years. We have those things settled.

H.M.JR: At two and three-eighths percent?

MR. CLAYTON: Yes.

MR. WHITE: How can you specify the date at the end? Do they stop paying the twenty percent three months after they initiate the contract?

MR. COX: The Secretary's point is good that the balance of the payments, other than the twenty percent, begin on July 1, 1946, and the other payments have to be made within that period.

MR. WHITE: Does that mean they can continue to contract up to July? What point does their ability to contract cease?

MR. CLAYTON: That's the next point. That's the next question.

H.M.JR: But the point I make is, for instance, if they make a contract on the 1st of October, the eighteen months doesn't start from there. The payments begin July 1, 1946. That runs twenty-eight and a half years.

MR. CLAYTON: Of the eighty percent.

MR. WHITE: And the other twenty percent they pay down when they receive the goods?

MR. CLAYTON: Alongside the ship. O.K?

MR. WHITE: Supposing they don't receive it until after July 1, 1946? Do they still pay twenty percent down?

MR. DAVIDSON: They pay it at the time.

MR. CLAYTON: We have that settled and the next question of principal is the one of the ability of this government to discontinue delivery of goods, or to cancel the contract, or to review it, take another look at it. What do you have to suggest on that?

MR. COX: What have I to suggest?

H.M.JR: Excuse me, I was going on the assumption you said earlier--I thought we agreed in that we are going to have a look at that.

MR. CLAYTON: We are going to try to find out how we have looked at it.

H.M.JR: We have agreed to look.

MR. CLAYTON: We have agreed on that as a matter of principle, but we are going to see how. There is some disagreement.

H.M.JR: One of the reasons I sort of went along on this side of the room was because I did feel we would have a chance to look at the contract, and it was very important. We did bring that up subsequently, and so long as you accepted that, I thought we would have to give way on the other.

MR. WHITE: May I state first the way we wanted that? You can put it in legal phraseology what we have asked for--the question at the bottom of page three, paragraph eight, which says, "It is understood that the foregoing program will be re-examined periodically, but particularly immediately after the cessation of organized enemy resistance in Europe, and that adjustments in the program appropriate to the situation will be made after consultation with the French authorities." But not with agreement, of course. Consultation does not mean agreement--that we make the adjustments, and that some such phrase will be positively incorporated in a memo, or accompanying letter, or something.

H.M.JR: Mr. Clayton said it will.

MR. CLAYTON: We all agreed on the principle involved. It's a question of implementing it and agreeing on the language as to how it is stated and where.

H.M.JR: Can't you send your General Counsel outside to draft some language on that?

MR. COX: We have already got the draft, and I would like to make clear two things in terms of principle and the way to execute it, and the way this thing works. In the first place, if a contract is actually placed and the stuff is in progress, you still have power to withhold it, not only at the end of the European war to review and withhold, but at any time if it is in the interest of the United States, as determined by the President to do it. What I would suggest in carrying out the principles is we say any of the supplies in either category one or category two can be withheld by the President if in the aid memoir he determines it to be in our interest to do so, and would say to the French that this contemplates a review for that purpose at the end of the European war or under any other changed circumstances where we deem it desirable to review it, and stuff which has not been put in contract--

H.M.JR: Wait a minute! What you said about after the end of the European war, that seemed to be a kind of unnecessary catch-all.

MR. COX: Well, I wouldn't put any specified event in the major contract. I would make that as feasible as possible from the standpoint of the United States interest, which is the President's right--his sole discretion to withhold any of these supplies if he deems it advisable to do so. If you want to be more specific with the French, so there will be no misunderstanding in either the note or aid memoir in transmitting it, say that we are going to review this thing periodically. In addition, we are going to review at the end of the European war this thing and any other changed circumstances, in addition to the periodic review.

MR. WHITE: That satisfies us. We didn't want that in the contract. We wanted that in an accompanying letter or memo, and at a first hearing it is my thought that what you are saying is precisely what they are saying.

MR. GLASSER: They propose to put in the actual quantities involved in the program. They will say in this document it will be a program of two billion, six, or whatever the amount is, and after that is in the document there is an escape clause where the President can say we agree to two billion, six, but we will take advantage of the escape clause and only give you half that amount; whereas our proposal--

MR. WHITE: He didn't say that. My understanding is what he said was as follows: In their general agreement there is an escape clause which is contained in all agreements which gives the President the right to withhold anything that has gone. That has nothing to do with this.

MR. GLASSER: To withhold something that has been promised them?

MR. WHITE: Saying that has been contracted.

MR. COX: Harold is right, and this is the point I want to elaborate. It is more than a matter of principle. It's a matter of doing it legally. You cannot have a 3-C contract unless you agree to supply certain specified supplies and quantities. I mean, that is what 3-C in Lend-Lease Act says. Now, you can always add an escape clause to that. I mean, you have nothing, and this is done in our interest, because what happens under this agreement when you specify is that the French have to take it and pay for it if we want them to take it. We have the option to stop any of it without cost to them if we think it is in our interest, but you have no 3-C contract under legislation, unless at some point you agree to furnish certain supplies which are named by quantity or dollar value.

MR. WHITE: I thought what you contract for you get a requisition.

MR. COX: No. Look, the Lend-Lease Act said this, Harry. The Act runs until July 1, 1945. After that date no powers under the Act can be exercised by the President or anybody else. Even if he has contracted for stuff, he can't turn it over. And that's what the Act says except where there is a contract with a foreign government, and it is necessary in order to execute that contract that the powers in 3-C be exercised. You can't do that. I mean, after the terminal point of the Act unless you contracted to supply many tons of copper, many tons of cotton, and so forth, the way you protect the United States National interest even though you have the French hooked is put in an escape clause to say that the President at any time can withhold, if it is in our national interest to do so.

MR. CLAYTON: And in the aid memoir you propose to elaborate that to say you are going to review it periodically and particularly at the end of the European war. It seems to me that covers it.

MR. WHITE: Let me see if I understand it. Under 3-C you get a requisition for certain items. This is what you want to get.

MR. COX: Under 3-C you have to say what is the contract.

MR. WHITE: The contract with whom? The French Government?

MR. COX: Contract with foreign governments. What is the contract? Now, what we say the contract is, it is an agreed program right in the contract saying we will supply raw materials, food, machinery, up to a certain limit. That's a term contract subject to certain conditions. Subsequently the President could say, "I won't supply you with any of this stuff because I have decided it is in the national interest not to do so." You advise the French clearly not only of the escape clause to which they are signatories, but in an accompanying memo saying, "We are going to review this thing periodically," and so forth.

H.M.JR: On top of all that you say after the fighting stops in Germany we have a review, or for any other good reasons?

MR. COX: That's right, we don't know all the good reasons.

H.M.JR: You have three reasons; the President can do it at national interest, or at the end of the fighting in Germany, or for any other reason that comes to a head.

MR. COX: That's right.

MR. WHITE: The contract you have with the French Government is a contract which is designed merely to make it possible for you to exercise a much larger--

MR. McCLOY: How are the French hooked? Do they have to take this stuff?

MR. COX: The French and Russians and everybody knew from the beginning of the Lend-Lease Act that the President, or whoever was administering the form, would never guarantee to supply anything which he thought was against our national interest to do. The Russians have never had any question about it. The French, I assume, would say, "Look, if these fellows have a generator half finished, unless there is some good reason, they are not going to stop production of that, so what are we worried about?"

MR. McCLOY: What are the French hooked for? Do they have to take this stuff, unless we go through lend-lease? And do they have an option to cancel and pay us the cost.

MR. COX: It's reciprocal.

MR. GLASSER: May I raise a point here? What Mr. Cox is proposing is that we establish an agreement with the French where we will supply them with a program consisting of two billion, six in supplies. Now, if VE-Day were to come, let's say in a month, we would have this commitment to supply two

billion, six in lend-lease supplies to the French under the Lend-Lease Agreement we have. Now, our proposal is that instead of placing a figure two billion, six in the Agreement, that we do not place such a figure in. The only thing we put in is anything that is contracted for the French to take, so that if there is a locomotive and that is half finished, then in accordance with our interpretation it would have to go to the French.

H.M.JR: They would have to take it whether they wanted it or not.

MR. WHITE: They don't have to if they want to pay for the loss.

H.M.JR: That's all you have between you and Cox. You don't want to mention an overall figure.

MR. WHITE: It's a very important figure.

MR. DAVIDSON: Mr. Secretary, I would like to point out in the Russian Agreement--

H.M.JR: I again can't understand why you fellows haven't had that thing out.

MR. COX: I think the basic difference is that our understanding of the Lend-Lease Act is you have no effective legal power. This is a question of law, and we have lived through this thing.

H.M.JR: Just answer Harold Glasser. Why do you want to mention two, six and he doesn't?

MR. COX: That's what makes a 3-C contract. On the legal contract if you don't do it, you can't place any of these things under 3-C if the contract isn't placed.

MR. ANGEL: There is a difference.

H.M.JR: You are an attorney, do you agree with him or not?

MR. AARONS: That wasn't intended to be a 3-C contract.

H.M.JR: Is it, or isn't it?

MR. COX: That's the issue.

H.M.JR: Is it, or isn't it?

MR. AARONS: I would say it is not.

MR. McCLOY: We haven't the right to do anything but a 3-C contract here, have we?

MR. WHITE: On the category two goods?

MR. GLASSER: There is nothing in the 3-C Act which says--

H.M.JR: Just let the lawyers talk about this.

MR. AARONS: Our whole purpose was not to bind ourselves for eighteen months after the war on long-term credit arrangements with the French, and that is what the purpose of the 3-C Contract is under the Lend-Lease Act.

H.M.JR: Are you through?

MR. COX: That's the central issue. We left here saying we would have a 3-C Agreement with them like the Russians. What he is saying is that the Treasury document clearly is a legal matter and contemplates not having a 3-C Agreement. That's the major issue.

H.M.JR: I am not an attorney, I don't know.

MR. WHITE: I am not sure.

H.M.JR: Do you know? I don't know.

MR. WHITE: What Oscar is saying--I am repeating this to make sure I understand it. You are saying you cannot contract for locomotives for France unless you have a contract with the French Government under 3-C.

MR. COX: It's more than that.

MR. WHITE: Can you contract for automobiles?

MR. COX: Sure, but you can't drive them. Suppose the lend-lease contract is not extended; it takes eight months to build a locomotive. If you place the contract tomorrow and the locomotive is finished on July 2, 1946, you couldn't deliver it.

MR. GLASSER: You have an agreement.

MR. AARONS: With respect to items that are in process, our agreement covers those.

MR. COX: Let's take the locomotive case again. The French worked with the engineers of Baldwin, American and Lehman for over four months to get the specifications, and so forth. Under your proposal if they didn't get under the wire in terms of actually signing the contract, you have no 3-C Agreement.

MR. WHITE: That's right. That's the major difference. What our men want to do is to limit our commitments to those long-term items in which a contract has been signed by the end of 1946 and that is the extent.

MR. COX: Harry, you are tying your own hands. If the President has the power--

MR. WHITE: We think we are tying yours, not ours.

MR. COX: You are tying the President's hands because under the contract we make he has got the legal power to go ahead, if he wants to, and not to go ahead if he doesn't want to.

MR. WHITE: There is this difference, too. We have felt that a program of this character which extends up to that amount drawn at this stage of the game is a moral commitment to the French Government. They will get it and there has to be

a very outstanding drastic reason to curtail that, whereas what we prefer is that there has to be a good reason to continue--

MR. McCLOY: You mean leverage behind the delivery.

MR. COX: You can always do that, Harry. I mean, if you have the agreement and a national interest point, and the aid memoir, and the contract hasn't actually been placed, and you have some reason you don't want to deliver, we never send the requisition. The Procuring Agency never gets it.

MR. DAVIDSON: Mr. Secretary, I would like to point out again that it is my understanding that at the meeting here the last time you wanted something that was going to be like the Russian Agreement. The understanding was it would be along the lines of the Russian Agreement and that specified quantities in the same way--

H.M.JR: Wait a minute! Excuse me. Let me interpret what I had in mind. We were talking here; I never studied it or read it. Don't pin me down too much on that. When I said to have it like the Russian Agreement I meant, without ever having seen the thing, that we have something to say to the French that we are treating them approximately the same as the Russians, and get away from this question of whether we should or should not give them civilian supplies for money or not.

MR. COX: That's the way I understood it.

H.M.JR: When you try to pin me down about what is in the Russian contract beyond saying how we treat them in the overall, I mean, as a District Attorney--I answer you by saying, "I can't remember, but--" (Laughter) I have been on the witness stand before.

MR. COX: On that intent the Russian thinking in terms of what the French will say--you have two points that are different and one of which is a tough one, and they know what the Russian Agreement is. On this specific point we are talking about, the whole objection in a large part is whether

you have agreed on a program which is 3-C or whether you push it to some other date which is when stuff is contracted for or requisitioned. I don't see how you can explain to the French or ourselves, aside from the French, why you delimit yourself in that you take away your own power to do something, even though you have the retained power not to do it.

H.M.JR: Do you mind if I ask Mr. McCloy which way you feel?

MR. McCLOY: I would like to ask one more question. Do you mean to say we wouldn't have the power--the President wouldn't have the power to take another look at this thing if you followed what Harry White wants to do?

MR. COX: That's right, because he doesn't even supply the stuff if the contract wasn't placed by July 1, 1946.

MR. WHITE: In order to increase it he could order to decrease it. That's the fundamental difference. We said we would like to see a top to this thing. We don't like to be a party to an understanding possibly a week or a month or two months before the cessation of the European hostilities to draft a document which is in effect a commitment for a thirty-year lend-lease arrangement of something like over the two and one-half billion or four billion altogether; that in retrospect it would look awfully curious, and then protect ourselves by saying, "It's true, you signed that agreement--you had this program, but the President can, for due cause in his judgment, cut it off." We say it is true, he has that power. It's true, he can cut it off. But the motivating cause, the justification for his cutting it off, is much more difficult in the case of France, and it would be more difficult than would be the case of an extension. It's true that it does limit the President's power to lend-lease. He has power to go the maximum of the program which is indicated, and we don't know whether that is the maximum. It has a way of drawing.

MR. COX: In the first place, it is crystal clear that there is no legal commitment on the part of the President to go up to a stated program limit. I don't think there is any dispute. Two, as far as moral commitment is concerned,

that's a question of words and presentation. Now, you can either put it in the agreement or send a note to the French at the time you send the agreement to say that any stuff which is not contracted for at the time is subject to review at the end of the European war or any other time you want it. Now, how can they misunderstand that?

MR. CLAYTON: I thought that even stuff that had been contracted for we could review that also. I would think you would want to have that right, because if the war should last until the end of the year you would have it all contracted for.

MR. MITCHELL: You will have to review and revoke. You do start off with an agreement on the part of the President to deliver, so you have to do a positive act of revocation.

MR. COX: The act of revocation comes after the review and refusal to move the requisition forward.

MR. MITCHELL: Review as an individual agreement. That's what we are going to do.

MR. COX: The legal document provides for review. He couldn't withhold without review.

MR. WHITE: In order to avoid any misunderstandings or hard feelings between the French Government and ourselves there should be an aid memoir to make it very clear, that you are going to review these matters you have spoken about. I think that would be quite satisfactory.

MR. CLAYTON: That's what we are going to talk about.

MR. McCLOY: It seems to me if you make it clear enough, you carve into this psychological factor you are talking about, and generally speaking, I lean a little on the side of liberality.

MR. WHITE: It is pretty liberal.

MR. McCLOY: It seems to me if you have the President's right to withhold any of that--

MR. CLAYTON: In it, plus the added emphasis of an aid memoir. Say we really mean this thing, and you better look out for it, then we would have a pretty free hand in this thing.

H.M.JR: I have just one question. Have you been maintaining here that what these men suggested, that if you had done it the way they suggested that that would not come within the concept of the Lend-Lease Act?

MR. COX: It wouldn't in any effective sense, because as a practical matter, you would while away most of your powers under 3-C if you put in on the date the contract was placed.

H.M.JR: Would you just clarify briefly how you propose to handle this?

MR. COX: Yes. That we say in the agreement or memo of understanding that under category one we agree to furnish certain supplies up to a certain stated amount, on certain specified terms; and category two, the same, that any of the supplies to be furnished under this agreement can be withheld by the President at any time, if he deems it in his judgment to be best for the United States or in the national interest; and in the aid memoir say to them, "Look, we mean this escape clause. We mean specifically that we can review this thing periodically, or at the end of the European war, or at any time, and withhold any supplies which are in the works, without cost to you, or any supplies that have not yet been put in the works, so you may never get them."

MR. McCLOY: Under one and two categories--

MR. WHITE: We not only can, but we propose to review it.

MR. McCLOY: I think we are in favor of it.

H.M.JR: It's all right with me.

MR. CLAYTON: I think we have it all settled. It's just a question of drawing up the papers. I don't think there are any controversial questions between us. Do you know of any?

H.M.JR: I am sure they can think up some.

MR. COX: The only other--can we just take one more minute of your time, Mr. Secretary.

H.M.JR: I'm in no hurry.

MR. McCLOY: He has invited us all to supper tonight.

MR. COX: The only other point I see--

H.M.JR: Wait until Mr. Clayton--

We were just waiting.

MR. CLAYTON: It's just a question of when the deferred payments of eighty percent start.

H.M.JR: You said July 1, 1946.

MR. CLAYTON: It's quite possible and quite probable that some of these goods will not be delivered until after that time, so that I would think that as a practical matter, that the deferred payments--the first one should start say six months after the delivery of the goods or one year after. I don't know just how the best way is to make it Oscar, but we shouldn't put out a certain date, July 1, 1946, because some of the goods will not be delivered until after that date.

H.M.JR: I thought why you made the original suggestion was we would average it, you see. I thought that was what you had in mind.

MR. CLAYTON: I think they ought to commence within a certain time after the delivery of the goods.

MR. COX: The only difficulty administratively will be the goods will be delivered at different times, each goods, and I would suggest we start with the July 1, 1946 date, and that is a question of negotiation. That certainly isn't a major point. If they want to make it on an average date of deliveries, or want to begin it after, say, the last deliveries in certain categories, that would be all right. But I think administratively if you draw one date line, it is easier for the fellows who have to collect.

MR. CLAYTON: I don't think there is any difficulty on that.

H.M.JR: Go back to the original suggestion.

MR. CLAYTON: On any goods delivered after that date we can work out something.

H.M.JR: Twenty-eight and a half years starting July 1, 1946.

MR. WHITE: Mr. Secretary, would it be appropriate to ask you if we could have a recess for ten minutes so we can rehash this so we can make sure whatever we are agreeing on we understand perfectly, because we have made some changes during the last fifteen and twenty minutes of this discussion. I would like to make sure we understand them.

H.M.JR: I understand them.

MR. WHITE: We may want to object if we are sure we don't understand them--raise an objection with you. We would like to go into a huddle for ten minutes to make sure we are not giving in too much.

H.M.JR: I don't see what for. Oscar has been over the thing three times. I have it in my head.

MR. WHITE: Well, then, all right. If we can't get that, let me ask--

H.M.JR: I can't go over all that again.

MR. WHITE: Just a moment then. Maybe we can have a few minutes. Buzz, what do you see in this you don't like? Speak now or be forever silent.

H.M.JR: Wait for twenty-eight years. (Laughter)

MR. COX: Touche.

H.M.JR: Wait a minute on that. We got this rug when we first came down here. A man came down from Sloans and we bought this rug and the rug in the other room, and we had a long negotiation and when he got through he said, "You know, Mr. Secretary, it's a great pleasure. Every twenty-eight years I come down here and sell the Secretary of the Treasury a new rug." (Laughter)

MR. AARONS: Well, Oscar's program, as he dictated it, sounds in substance the same as what we wanted, and what bothers me is if he thinks our program can't be justified under the Lend-Lease Act, how his can.

MR. WHITE: I wouldn't worry about that.

MR. AARONS: In substance it sounds the same.

MR. WHITE: In substance it is about the same.

MR. AARONS: The very fact he brings his under the Lend-Lease Act and says ours isn't, makes me wonder whether it can be exactly the same.

MR. COX: We don't know much about the laws of the Lend-Lease Act, but we have--I'll take that responsibility.

MR. CLAYTON: It's quite clear to me. I am not the lawyer, but I can see the distinction.

H.M.JR: I see the distinction.

MR. McCLOY: I think he comes pretty close to making it so illusory--it's all right so far as our commitments are concerned.

MR. COX: Not only that. We went through this whole thing this morning with the House Foreign Affairs Committee, and they not only thought our thing wasn't illusory, but the were arguing that the master agreement which doesn't provide anything, they said they thought that was a 3-C contract.

MR. WHITE: As long as you are not going to a week from now say this memoire is illegal and we are going to kick it out.

MR. COX: Harry, you never heard me say that.

MR. GLASSER: The thing that disturbs me is we are making a contract with a country and giving them a memoire and saying we really didn't mean it.

H.M.JR: That's done by the State Department every day. Don't worry about that. (Laughter)

MR. CLAYTON: You are right, too.

H.M.JR: If that's your only worry--

MR. GLASSER: The French people will see the contract and we will have in our files--

MR. WHITE: They will see the aide memoire. It goes to the French people and will be published along with the contract.

MR. CLAYTON: I think it should be.

MR. COX: Sure.

H.M.JR: Don't worry about it.

MR. WHITE: What's the next step?

H.M.JR: The next step is that tomorrow you will have it all ready for General Monnet.

MR. WHITE: Could we see or look at it before you give it to Monnet?

MR. COX: We just gave you one.

MR. WHITE: Is this it? Is the aide memoire there, too?

MR. COX: We will draft that. It will only take three minutes.

H.M.JR: Tomorrow Mr. Clayton will present it to General Monnet.

MR. CLAYTON: If I get back from the Hill in time.

MR. MITCHELL: Have you a master agreement drawn and a 3-C contract? Can we get a look at what you are going to give to them?

MR. COX: I just gave it to you.

H.M.JR: Are you agreeable, Mr. Clayton, that somebody from the Treasury be present?

MR. CLAYTON: Certainly.

H.M.JR: Will that be all right?

MR. WHITE: And could we have a copy of the papers? We don't have any.

MR. COX: Yes, sure.

H.M.JR: Just one split second. Where do we stand?

The other thing which bothers me is that question of getting up a bill to present to the French.

MR. WHITE: The General called me up yesterday. I haven't had a chance to tell you, maybe he can tell you now.

H.M.JR: Tell me about the question of the French paying for what they receive.

GEN. HILLDRING: We have had considerable difficulty, Mr. Secretary, in getting British agreement, getting the British to agree with us on the procedure for billing the French for this civilian stuff we have put in there. They have long ago agreed that they would be billed. I think in the difficulty of the negotiations with them they have been trying to persuade us that it couldn't be done, but I am pleased to report that they have agreed as to the billing of the French within the week, the British. The instructions have now gone to Eisenhower. We are sending to Staff Headquarters my financial advisor, a technician from the Army Services Forces. He is going back with Bernie, and they are going to work with great vigor now to execute the preparation of a bill to the French on the civilian supplies that have been delivered by the United States and the United Kingdom to the French Provisional Government. As soon as we present a bill for the United States Plan A supplies that have been turned over to the French, we will turn a copy of it over to the United States Treasury to effect the collection. That's the way the War Department wants to do it, and I understand that is agreeable to the Treasury, to make the collection for us.

MR. WHITE: We said only if you have any trouble about it.

GEN. HILLDRING: We don't want to make the collection. The War Department doesn't want to do it, Mr. Secretary. What we want to do is present a bill to the French Government for the supplies we have delivered to them, and let the Treasury collect the bill from the French.

H.M.JR: I haven't had a chance, but I don't know how familiar you people are with what we have done with the War Department with China, but that has been worked out very successfully. I think we saved you a lot of money, and I really think it is our job.

MR. McCLOY: I do too.

GEN. HILLDRING: I do too, and the Budget Officer in the War Department and financial people--

H.M.JR: Working with General Richards, General Carter, General Somervell, General Clay, and the Treasury.

MR. McCLOY: That's the way it should be.

H.M.JR: A pound of tea is all I got out of it. I don't know what I will get out of the French.

GEN. HILLDRING: That's the way the War Department would like to do it, if it is agreeable to you.

H.M.JR: It's part of our job. It's a very disagreeable thing. It took us four months. Did they tell you about it?

MR. McCLOY: About the Chinese? Yes.

H.M.JR: We did that very successfully. I am willing to do it.

MR. WHITE: If the Treasury is going to help collect the bill, could we have a look at the bill before it is submitted, if we are going to defend the collection?

GEN. HILLDRING: Yes, Doctor, maybe it would be a good idea for the Treasury to send somebody with Bernie and Hilliard when they go.

MR. WHITE: The bill isn't being compiled at this angle.

GEN. HILLDRING: It has to be compiled at Staff Headquarters in Paris.

MR. WHITE: What goes into the making of the bill is what I would like to know.

H.M.JR: On the other side with Kung we were able to say, General, "We are terribly sorry; it is Army Orders."

GEN. HILLDRING: These dumb soldiers! Yes. (Laughter)

H.M.JR: We just shrug our shoulders and say, "That's the Army. I am just an agent for Mr. Stimson." Think that over, Harry.

MR. WHITE: I just don't know whether we will be able to make it.

H.M.JR: Are you happy now?

MR. DAVIDSON: Yes.

H.M.JR: You had your own way, you ought to be.

That's finished.

February 6, 1945
3:43 p.m.

HMJr: Mr. James, Henry Morgenthau talking.

Melton C. James: Yes, sir.

HMJr: Mr. James, in this February Reader's Digest -- hello?

J: Yes, sir.

HMJr: On page 84 is an article describing how they feed fish down somewhere in one of the southern states.

J: Fertilize -- fertilize farm ponds.

HMJr: That's right.

J: Yes.

HMJr: Now, they say everything but what -- how they fertilize it. See? They don't say how they do it. Hello?

J: Yes. We ....

HMJr: I wondered if you could give me a little -- have you got a pamphlet, or little note, saying how that's done.

J: Yes, we have several things on that, Mr. Morgenthau.

HMJr: Because it seems to me that I can try something like that out up in my little lake.

J: You're thinking of your trout lake or your bass lake?

HMJr: Well, we only have one lake. We've been putting five hundred Rainbows in there the last two years.

J: Uh huh.

HMJr: There are some small mouth bass in there though.

J: How did the Rainbows -- the last shipment of Rainbows do?

HMJr: As far as I know, all right.

J: Uh huh. Well, it would be of some help probably for the trout, but that method of fertilization is primarily for bass and sun fish and so forth, but I believe it would be worth trying if you want to do it.

HMJr: What do they use in the way of fertilizer?

J: The ordinary commercial fertilizer 6-8-4 or any other wartime formulas.

HMJr: Really?

J: And also cottonseed meal.

HMJr: Is that right?

J: Uh huh.

HMJr: But it's more for small mouthed?

J: It's more for the so-called warm water fish, which would be the small mouthed and large mouthed bass, and the blue gilled sunfish. What really happens is this: it creates microscopic vegetation, which in turn feeds the smaller crustacea and insect life, and so forth, and of course, that is of some benefit to the -- to the trout, but it is more the regular diet of the warm water or the pond fish than other fish.

HMJr: I thought I'd try Rainbow one more Spring....

J: Uh huh.

HMJr: .... if -- that is if I could get them from you.

J: Surely.

HMJr: And then if they don't begin to show up in the lake, why, then I think I'll have to consult with you.

J: Well, and in the meantime, would you like to get some of our leaflets on this fertilization?

HMJr: I wish you would.

J: All right, I'll be very glad to get them over to you.

HMJr: Thank you very much.

J: Yes, sir.

February 6, 1945
4:02 p.m.

Robert Coyne: An admirer of yours in Philadelphia, who publishes The Record stated that he'd like very much to give a little dinner for you on Sunday night, and with a total of some twenty to twenty-four of the leading bankers of the central section, including Al Williams of the Fed. And he thinks that he would put together a dinner that you would enjoy, so Ted thought I should try it out on you and see how you feel about it.

HMJr: Well, he's been awfully good -- Dave Stern has.

C: Oh, yes, he's a fine gentleman.

HMJr: Yeah, I think we'll do it.

C: All right. Now, would you indicate just what time of the evening would be preferable?

HMJr: Let me see -- we go on this broadcast -- that's Sunday?

C: Yeah.

HMJr: We are supposed to go on at ten-thirty. Why not say seven-thirty?

C: Seven-thirty?

HMJr: Yes.

C: All right. And I'll have George Little talk to him again and set it up. I think it's a very nice thing to do.

HMJr: I do too.

C: Righto.

THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

February 6, 1945.

MEMORANDUM TO THE SECRETARY:

I have gone over the attached draft of your radio talk which seems all right to me except the second paragraph. There is always a question of when to begin the war costs. Our National Defense program started on July 1, 1940 and it seems to me that date might well be the beginning of war costs. Lend-lease started early in the calendar year 1941, which is certainly a war cost. However, I think the first sentence of that paragraph might be made clearer that you mean the war cost since Pearl Harbor.

As to the costs of World War I, we are still paying those in the form of veterans benefits and interest on the public debt. The last figure on the cost of World War I that we have computed showed more than $41 billion, which was in 1934 and excluded the foreign obligations. It seems now that we could include those obligations, which would bring the total cost of World War I to that date up to just about $50 billion. I believe, therefore, it is important to put a date in for World War I cost. I suggest that the second paragraph be rewritten along the following lines:

A "In terms of money we have spent on this war since Pearl Harbor the total sum of $238 billion. This is about seven times the total cost of World War I through June 30, 1919."

DWB

Final-

The war in Europe is approaching its climax. No war in history has ever been waged with such fury or on so vast a scale. You can gauge the intensity and the vastness of this war from a fact revealed by General Marshall last month. In two months' time alone, General Marshall reported, we sent more supplies to the European Theater of Operations than were sent during all of World War One. And this leaves out of account all that we sent during the same period to the Pacific and, through Lend-Lease, to our Allies.

Lend-Lease might be included with that sent to European theater

In terms of money, the war, so far, has cost us two hundred ~~twenty-nine~~ fifty billion dollars. This is more than seven times the total cost of World War One ~~for years 1917-20~~ through June 30, 1919.

Today we are paying for about forty-six per cent of the current cost of the war through taxes. These taxes are being paid by virtually all of the American people. The number of individual income taxpayers has increased from four million before the beginning of the defense program to fifty million at the present time. Never before has a democracy taxed itself on such a broad base.

The people are also sharing on a vast scale in lending money to the Government. Before the war, there was only a handful of Government bondholders. But since the war began, eighty-five million persons have bought Government Bonds.

And it is also worth noting, I think, that of the total value of Series E Bonds bought during the war, nearly half -- 46 per cent to be exact -- came from workers through payroll deductions, including their extra purchases of E Bonds for cash during drives.

All of the securities issued to finance this war have been subject to the Federal income tax. This contrasts with the last war in which all of the securities were either wholly or partially exempt from Federal income tax. This is an important step toward more democratic war finance, since the privilege of tax exemption -- which all receive at the same price -- is worth nothing at all to the poorest subscribers but is worth a great deal to those in the high income brackets.

The average interest cost on the securities issued during this war is less than half that of the last war. Allowing for the fact that the interest on the securities issued in this war is taxable, the net cost per dollar borrowed is only about one-third that of the last war.

America's productive equipment and efficient labor force are its trump cards in this war. When you use your money to pay taxes or to buy War Bonds, you give up, or postpone, your claim to the materials out of which weapons are made. This

means that a portion of this equipment and of this labor, which might otherwise have been devoted to making your luxuries and your comforts, is instead devoted to turning out more and better war weapons.

It is these better weapons which have made our casualties so much lower than those of our enemies. To a significant degree, we have been able to exchange equipment for casualties -- that is, money for lives. This has been made possible by your collective resolve, expressed through Congress, to pay taxes; and by your individual resolve to buy War Bonds.

You men and women who are members of the American Federation of Labor have a dual responsibility -- first, the actual production of the war weapons that have shielded and saved the lives of our fighting forces; and, second, the continued buying of bonds so that the American productive machine will be devoted to winning the war as speedily as possible and with the least possible cost in lives.

TO: Feb. 6, 1945 328

MEMO

General Marshall - according to his office - referred to the supply matter in this respect when he addressed an off-the-record Congressional meeting. The only public record is the attached Drew Pearson column. The General did not use a prepared statement.

From: Mr. FitzGerald

JAN 31 1945

The Washington Merry-Go-Round

By Drew Pearson

MOST OF THE 400 CONGRESSMEN who crowded into the Coolidge Auditorium of the Library of Congress for what was supposed to be a top-secret off-the-record talk on the war went away with a feeling that they had wasted their time. The words of Admiral Ernest King, chief of naval operations, and Army Chief of Staff Gen. George Marshall might have been of interest to a noncongressional gathering, but to a Congress which already follows the war carefully, it was disappointing.

Congressmen concluded that the hush-hush meeting was actually arranged to boost congressional support for work-or-fight legislation.

As for the constant admonitions of Admiral King that "this must not go beyond this room," Congressmen figured this was nothing more than good theater.

Secretary of War Stimson and Secretary of the Navy Forrestal opened with brief introductions of Marshall and King.

King then spoke from a prepared script, declaring that the United States is today the great naval power of the world. In our engagements with the Japanese, he said, we have suffered more damage than is generally known, but fortunately the Japs have not known about our damages in time to capitalize on our temporary weakness.

"You will excuse me if I do not go into more detail," said the admiral.

King observed that recent naval history has justified our huge production of long-range submarines and also the several floating repair docks now attached to the fleet. Many minor repairs on naval vessels have recently been accomplished at sea with these floating docks, King said, which formerly would have required lengthy and expensive trips to land bases.

The only real news King gave the Congressmen was in a movie of new naval guns and certain protection devices.

Both Marshall and King emphasized that the major Jap strength—both on land and sea—is still to be met.

Marshall Harpoons Headlines

GENERAL MARSHALL then held the floor for nearly an hour and a half. He made a good impression and brought chuckles with his dry wit as he castigated newspaper headline writers for "giving the public an over-bright picture." There is still a lot of war to be fought in both hemispheres, Marshall said—and a lot of supplies to be sent out. To emphasize the magnitude of the supply problem, Marshall said that in two months now we ship as much supplies to France as we shipped in all of World War I.

It was lack of supplies which stopped our drive across France last summer, Marshall said, although he made it plain it was the Army's inability to supply enough fuel and munitions, rather than lack of production at home which stopped us.

With a nod to Clare Luce, Marshall observed that morale among our troops in Italy is lower than on any other front, and he added that the tone of many letters from home tends to depress rather than raise morale.

Marshall said the Army has received good support from the home front and from Congress, but that this is no time to slacken on the job. This country has done miracles, he contended, especially considering the fact that the war was never brought to our shores. He spoke at some length of the suffering in London, and showed charts comparing the destruction in London with what it would have been in New York had the Germans blitzed that city.

Marshall on Russia

AS FOR THE RUSSIAN DRIVE in the east, Marshall said he cannot yet evaluate the progress, but that the small number of German prisoners reported thus far makes it appear that part of the German army was intentionally withdrawing before the Russians in Poland. He said he had not known in advance when the Russian offensive was to take place, precisely where or in how great a force. In fact, he said, the Russians have not notified the British or Americans in advance of exact details on any of their offensives. And, he added, "the Russians are right. We are not security-minded."

Marshall did not say whether the Russians had been notified of our D-Day plans.

Capital Chaff

WHEN JESSE JONES appeared Wednesday before the Senate Commerce Committee, Chairman Josiah Bailey smiled benignly on all demonstrations for Jones but cracked his gavel sternly when there was applause for Wallace . . . Senator Glen Taylor of Idaho is featured in recent newsreel shots singing "Give Me a Home 'Neath the Capital Dome." . . . The United Rubber Workers (CIO) will come to Washington next month to take a crack at the little-steel formula . . . Mayor La Guardia, who fears the growing support for New York OPA Administrator Dan Woolley's campaign to be mayor of New York, has asked national OPA head Chester Bowles to fire Woolley and Max Menscher, his publicity man. Woolley, bitter enemy of Republican La Guardia, has lined up both CIO and Democratic Party support . . . House Majority Leader John McCormack put Representative Walter Brehm, Ohio Republican, in his place last Tuesday. While McCormack was answering a question from Republican Leader Joe Martin on the Wallace-Jones affair, Brehm asked him to yield for another question. "I'm already yielding to a better man than you," shot back McCormack.

FEB 6 1945

Your Excellency:

I want to thank you for your letter of January 25, 1945, with which you transmitted certain miniatures of posters which had been used in the Canal Zone to encourage the sale of War Bonds.

I want you to know that the Treasury has never sponsored this type of appeal to soldiers nor to civilians. I have been advised also that the Army has taken a similar position, and there will be no general circularization of the art in question. The posters which you transmitted, I find, were examples of a great many posters submitted informally for consideration to a group of Army War Bond officers who met some weeks ago in Columbus, Ohio. Some enterprising member of the group photographed some of the sketches, and they found their way to the Canal Zone where further reproductions were made and given some circularization. I believe you will find their use was confined to the Canal Zone.

I hope you will continue your interest in the type of publicity used in connection with War Bonds and bring to my attention any theme used, whether of Treasury origin or not, which you feel to be improper or ill-advised. You may be sure that I join with you in your desire to keep the morale of our boys on a high plane and to guard against the exhibition of poor taste in any message directed to them.

Sincerely,

(Signed) H. Morgenthau, Jr.

Most Reverend John F. O'Hara, C.S.C.
Military Ordinariate
462 Madison Avenue
New York 22, New York

RWC:deb

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE January 29, 1945

TO: Secretary Morgenthau

FROM: Ted R. Gamble

I have your memorandum transmitting miniatures of some Varga drawings a la Esquire, which were circularized in the interest of War Bonds in the Canal Zone, and which were complained of by the Most Reverend John F. O'Hara.

I am pleased to advise that we are not responsible. The Army asked us some time ago for some suggested art for use in various installations and stipulated that it should be of this type. The boys in our art shop obtained some drawings, which the Army showed to a number of its War Bond officers. Some enterprising member of the Signal Corps photographed these drawings and gave them circularization in the Canal Zone. The Army requested that we go into production on them. We differed violently for reasons of policy, and told them we would not produce the posters unless they would take full and complete responsibility, and that the posters would be produced not with a Treasury but with an Army line of sponsorship. The result was that the posters have not yet been produced, and I am advised that the Army has reconsidered and will not request us to go further with the matter. You may be sure it was not prudery but experience that motivated our objections.

I have had prepared a suggested reply to Father O'Hara for your signature which I think takes us off the spot without putting the Army too much in the middle.

MOST REVEREND
FRANCIS J. SPELLMAN, D.D.
MILITARY VICAR

MOST REVEREND
JOHN F. O'HARA, C.S.C., D.D.

MOST REVEREND
WILLIAM T. McCARTY, C.SS.R., D.D.
MILITARY DELEGATES

Military Ordinariate

UNITED STATES OF AMERICA
462 MADISON AVENUE
NEW YORK 22, N. Y.

TELEPHONE ELDORADO 5-3457

VERY REVEREND
MSGR. JAMES H. GRIFFITHS, S.T.D.
CHANCELLOR

REVEREND
JAMES B. NASH, S.T.L.
VICE-CHANCELLOR

REVEREND
JOSEPH J. TENNANT, D.D.

REVEREND
FRANCIS E. MORIARTY, C.SS.R., J.C.D.
ASSISTANT CHANCELLORS

January 25, 1945

Personal

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

My dear Mr. Secretary:

From the protests of soldiers in the Canal Zone I learn that someone in the publicity department of the War Loan organization has misunderstood the American soldier.

I enclose the material which accompanied the protest. I am sure that you will agree with me that it is highly improper. The newspapers tell us that the Japanese and German propagandists insult the American soldier with such material, but the men expect their own government to respect their moral integrity.

With sentiments of respect and esteem, I am

Yours very sincerely,

+ John F. O'Hara, C.S.C.

FEB 6 1945

Dear Mr. Schenck:

I want to thank you for sending me the very excellent record of the accomplishments of your vast organization in furthering the sale of War Bonds. Also, I should like to compliment the excellent performance of your thousands of patriotic employees whose purchase of War Bonds has contributed so much to your good record.

Ted Gamble has told me, from time to time, of the good support we have had from Loew's, Incorporated, and, especially of the help we've had from such people as William F. Rodgers, Oscar A. Doob, and Charles Moskowitz.

You can be sure that we at the Treasury are not only aware of all that you've done to help us but appreciate your continuing enthusiasm for our program.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Nicholas M. Schenck
President
Loew's, Incorporated
Broadway at 45th Street
New York, New York

TRG:KPP

LOEW'S INCORPORATED

METRO-GOLDWYN-MAYER PICTURES

"THEATRES EVERYWHERE"

LOEW BUILDING
BROADWAY AT 45TH STREET
NEW YORK

OFFICE OF THE PRESIDENT

January 25th, 1945.

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

Dear Mr. Secretary:

The Accountants of our War Bond Department have just given me a report covering Loew's War Bond activities from June 1st, 1942 to December 31st, 1944. I believe you will be interested in the following summaries:

Theatre Sales of E Bonds	$91,148,905.
F, G and other bonds	16,136,412.
War Stamps	6,935,531.
Sales over WHN Radio Station	1,024,575.
Sales to Employees	21,140,705.
Total	$ 136,386,128.

The above does not include the purchases of bonds by Loew's Incorporated and it's subsidiaries.

The large amount of E bonds and War Stamps sold at the theatres to the public is the item that interests me most. It indicates that the theatres have become an accepted "retail" outlet by millions of Americans. In Loew's Theatres the Sixth War Loan sales were 7.5% better than the Fifth War Loan, and 13.9% better than the Fourth War Loan. In the Sixth War Loan alone our E Sales were $18,527,535, much larger than in any previous drive.

We pledge continued effort in all future loans.

Sincerely yours,

NICHOLAS M. SCHENCK

FEB 6 1945

My dear Senator:

Your letter of February 2, 1945, enclosed a letter of September 17, 1944, from Mr. Michael M. Heiter concerning delays involved in obtaining refunds of employment taxes overpaid by employees. You urge that the Department reconsider, with a view to simplification, the present method of obtaining refunds and propose that new legislation may be necessary if this cannot be handled under existing law. Mr. Altmeyer, Chairman of the Social Security Board, suggests use of Board records as an alternative.

Developing adequate safeguards to insure compliance with the express requirements of Section 1401 (d) of the Internal Revenue Code without unduly burdening both employees and employers has been a difficult problem. We have been actively working on simplification, and I expect to send you a more detailed reply when definite progress has been made.

In the meantime you may want to note that the picture is not without its bright side. As of July 1, 1944, for instance, the Bureau of Internal Revenue had processed for allowance almost half of the special refund claims expected to be filed with respect to 1943 earnings. At the moment it is not clear that action on these claims would be speeded up if based on records now maintained by the Social Security Board.

Mr. Heiter's letter is returned.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Hon. Robert F. Wagner
United States Senate
Washington, D. C.

States Senate

BANKING AND CURRENCY

ry 2, 1945

The Honorabl
Henry Morge
Secretary c
Washington

Dear Mr

I re etter which
out which points
la Security
c kers are
these
r, Chairman
t he
ent law
lified by
th which the
Soc imore.

Depar e Treasury
law wo vision in the
tion of mit simplifica-
the Treasu e, therefore, that
see to it tha der this matter to
Security taxes is made simpler for the workers as
well as for the businessman. If this matter cannot
be satisfactorily handled under existing legislation,
I plan to introduce appropriate legislation to correct
the situation.

With all best personal wishes, I am

Very sincerely yours,

Robert F. Wagner

Enclosure

United States Senate

COMMITTEE ON BANKING AND CURRENCY

February 2, 1945

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

Dear Mr. Secretary:

I am enclosing a copy of a letter which I received from Mr. Michael M. Heiter which points out that the provisions in the Social Security law for making insurance refunds to workers are cumbersome. I have received a number of these letters during the past year. Mr. Altmeyer, Chairman of the Social Security Board, tells me that he believes that the procedure under the present law for making refunds to workers can be simplified by the use of the social security records which the Social Security Board maintains in Baltimore.

However, I understand that the Treasury Department believes that a minor provision in the law would have to be changed to permit simplification of the procedure. May I urge, therefore, that the Treasury Department reconsider this matter to see to it that the refund procedure for Social Security taxes is made simpler for the workers as well as for the businessman. If this matter cannot be satisfactorily handled under existing legislation, I plan to introduce appropriate legislation to correct the situation.

With all best personal wishes, I am

Very sincerely yours,

Robert F. Wagner

Enclosure

... Cohen

Michael M. Heiter

255 NELSON ROAD, SCARSDALE, N. Y.

Sept.17,944

Hon. Robert F. Wagner
Senator from New York

Dear Sir:

Under the S.S. law of 1941 overpayment of Social Security Tax is not credited to the workers account. Now the procedure necessary to recover any sums of overpaymentis it seems to me cumbersome. At the beginning of the year I started work on getting the necessary forms made out and signed by my employers of the previous year. These I sent to the internal Revenue Office at Albany, N.Y. I have just been advised that my claim has ' been sent to the Internal Revenue Office at Washington, D.C. for consideration'

Now the same situation is repeating this year. I have changed jobs in July. Each employer is obliged to collect up to $30.00. It seems an unnecessary hardship for the worker to pay this money and then to wait so many months to get a refund of the overpayment.

Respectfully submitted for your consideration.

Sincerely Yours

Michael M. Heiter

Michael M. Heiter

FOREIGN ECONOMIC ADMINISTRATION
OFFICE OF THE ADMINISTRATOR
WASHINGTON 25, D. C.

February 6, 1945

Dear Secretary Morgenthau:

Thank you very much for your note of the 24th enclosing a copy of a letter which you sent to the Secretary of State with respect to the proposed lend-lease agreement between this Government and the Provisional Government of France.

Sincerely yours,

Leo T. Crowley
Administrator

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

CONFIDENTIAL

February 5, 1945

Dear Leo:

I am enclosing for your information and record copies of correspondence that I have had with the State Department during the past several weeks relating to the proposed French lend-lease negotiations.

Sincerely,

Mr. Leo T. Crowley, Administrator,
Foreign Economic Administration,
Washington, D. C.

Enclosures

HHM:lg
2/5/45

CONFIDENTIAL

February 2, 1945

My dear Mr. Grew:

This is to acknowledge your letter of January 25 concerning the proposed lend-lease agreement with the Provisional Government of France.

The subject matter of your letter was discussed by Treasury officials with Mr. Clayton of your Department. Mr. Clayton agreed to adopt the procedure of reaching an agreement among the interested agencies of the Government as to the financial basis of the program before the signing of the Master Lend-Lease Agreement with the French, and he has agreed that his view so expressed for the State Department would supersede your letter of January 25. Discussions among the interested agencies have been going forward urgently, and I hope agreement will be reached very shortly.

Sincerely,

/s/ H. Morgenthau, Jr.

Honorable Joseph C. Grew,

Acting Secretary of State.

COPY

CONFIDENTIAL

January 25, 1945

My dear Mr. Secretary:

Upon receipt of your letter of January 18 addressed to the Secretary, concerning a lend-lease agreement for France, I replied on his behalf in a letter, dated January 22, and expressed agreement with your view that lend-lease for France, both in munitions and in non-munitions, generally should rest on the same principles as lend-lease for Great Britain. I also stated that I had asked Mr. Clayton to discuss with Mr. White and Mr. Oscar Cox a text of an agreement which could be presented to Mr. Monnet early this week. It was my understanding that you were in agreement with the Foreign Economic Administration and the Department that a master lend-lease agreement should be signed with the French, and that, thereafter, representatives of the three agencies should hold discussions with French representatives concerning the nature of the supply program to be undertaken and the terms upon which supplies would be furnished.

Apparently, my letter crossed a second letter from you which was received in the Department on January 23, in which you suggested that before a lend-lease agreement is entered into with the Provisional Government of France, a determination should be made as to the extent to which we deem it appropriate that the French should use their gold and dollar exchange resources in meeting their non-munitions requirements. Since this suggestion is at variance with what I understood to be the position of the three agencies, I would like to bring the matter to your attention again.

The Provisional Government of France has now been recognized by this Government, and for the past several months the French nation has participated with us and our Allies in the prosecution of the war in Europe. In view of our political policy with respect to the Provisional Government of France, the Department is anxious that our lend-lease relations be placed on the same general basis as is the case with respect to Great Britain and Russia, and therefore it seems desirable to offer a master lend-lease agreement to the French representatives for signature at this time.

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

Of course, I am in agreement with you that after such a document has been signed, it will be necessary for representatives of the Treasury Department, the Foreign Economic Administration and this Department to agree upon the amount of French dollar and gold assets, including the holdings of the Bank of France, which we would consider to be a satisfactory position for France so long as non-munitions are being furnished under lend-lease and to determine the extent to which we deem it appropriate that the French gold and dollar exchange resources should be used in meeting the non-munitions requirements. As you know, the provisions of the master agreement will not prejudice our discussions of these matters, but will merely provide a general framework for our lend-lease relations with France.

Since the Department believes that it would be unwise to delay longer the signing of a master lend-lease agreement in view of the present political situation, may I ask that you advise me whether you have any further objection to the submission of the text of such an agreement to the French this week?

Sincerely yours,

(signed) Joseph C. Grew

Acting Secretary

COPY

CONFIDENTIAL

Jan 23, 1945

Dear Ed:

Reference is made to the letter which your Department has suggested be sent to Jean Monnet, in which is proposed a master lend-lease agreement between this Government and the Provisional Government of France.

As stated in my letter of January 18, the United States should determine the extent to which we deem it appropriate that the French should use their gold and dollar exchange resources in meeting their non-munitions requirements and lend-lease aid should be programmed accordingly. It is my view that this determination should be made prior to the time that any lend-lease agreement is entered into. In that way we will have a clearer understanding of the type of program which the lend-lease agreement contemplates, thereby avoiding basic misunderstandings with the French after the agreement is signed.

I would suggest, therefore, as the first step, that your Department, our Department and the Foreign Economic Administration get together and agree upon the amount of French dollar and gold assets, including the holdings of the Bank of France, which we would consider to be a satisfactory position for France so long as she is obtaining lend-lease aid in non-munitions from this country. In arriving at such an understanding, it will be necessary to ascertain the approximate amount of dollars which the French owe us at the present time for supplies shipped to France and North Africa, as well as a reasonable estimate of the amount of dollars which the French may be expected to owe us in the near future for civilian supplies shipped to French areas under the military program.

Furthermore, it would seem desirable that no lend-lease agreement should be signed with the French until they have paid the dollars which they owe us for civilian supplies furnished to France and French North Africa, and until definitive arrangements are made so that we will actually receive periodic payments for those civilian supplies which we will be furnishing to the French in the future and which it is understood they are to pay for in dollars.

I am sending a copy of this letter to Mr. Crowley.

Very truly yours,

(Signed) H. Morgenthau, Jr.,

Secretary of the Treasury.

Hon. Edward R. Stettinius, Jr.

Secretary of State.

CONFIDENTIAL

COPY

DEPARTMENT OF STATE
WASHINGTON

January 22, 1945

Dear Mr. Morgenthau:

Your letter of January 18, addressed to the Secretary, expressing your view that lend-lease for France, both in munitions and in non-munitions generally should rest on the same principles as lend-lease for Great Britain, has been referred to me.

I agree entirely with your views and believe that we are all ready to proceed with discussion of a Master Lend-Lease Agreement with the French. I have accordingly asked Mr. Clayton to call together Mr. White and Mr. Oscar Cox to go over a text which could be presented to Mr. Monnet early this week.

Sincerely yours,

Joseph C. Grew

Under Secretary

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

CONFIDENTIAL

January 18, 1945

Dear Ed:

This is in reply to the letter of January 13 from the Acting Secretary of State confirming that the French Lend-Lease document which was before the President at Quebec has been superseded and stating that your Department awaits the Treasury's views on the appropriate type of Lend-Lease program for France.

It is the Treasury's view that Lend-Lease for France, both in munitions and in non-munitions generally should rest on the same principles as Lend-Lease for Great Britain. In working out the non-munitions program for the French the criterion of the amount of aid to be rendered should be the status, actual and prospective, of their gold and dollar balances. The United States should determine the extent to which we deem it appropriate that the French should use their gold and dollar exchange resources in meeting their non-munitions requirements and Lend-Lease aid should be programmed accordingly.

Naturally it should be understood that any Lend-Lease program for the French worked out in advance at this time will not constitute a firm commitment but that actual delivery will be subject to the changing demands of strategy, to supply and transport considerations and the usual considerations of procurement and allocation.

Very truly yours,

/s/ H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of State.

COPY

CONFIDENTIAL

January 13, 1945

CONFIDENTIAL

My dear Mr. Secretary:

In the absence of the Secretary I wish to say in reply to your note of January 10th that the French Lend-Lease document which was before the President at Quebec last September was completely superseded by a document providing for a more restricted arrangement which was discussed on January 6th by Mr. Clayton with Mr. White and Mr. Oscar Cox.

At that time Mr. Cox suggested that under the present circumstances an overall master lend-lease agreement with the French would be desirable. Mr. White was sympathetic with this approach but indicated that he would wish to consider the matter further within the Treasury. The Department has been waiting, therefore, for an indication of the Treasury's views on the appropriate type of lend-lease program.

Sincerely yours,

/s/ Joseph C. Grew

Acting Secretary

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

COPY

CONFIDENTIAL

CONFIDENTIAL

January 10, 1945

Dear Ed:

The other day when we were having lunch at the Blair House you mentioned to me that the French lend-lease document which was before the President at Quebec last September is now dead.

I would appreciate your confirmation of my understanding in this matter, so that I will be in a better position to review the pending proposals for aid to France.

Sincerely,

/s/ Henry

Secretary of the Treasury

The Honorable

The Secretary of State

COPY

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date FEB 6 1945

TO Secretary Morgenthau

FROM Mr. White HDW

action

We have just received from Lazard Freres, New York, the first evidence to substantiate Pierre David-Weill's testimony relating to the disposition of the unlicensed remittance of $1,825,000 in September and October, 1940, from Lazard, New York, to Lazard, Paris.

You will recall that we are committed to release to Lazard Freres $1,500,000 of the $2,000,000 in the contingent vesting account upon finding that Pierre David-Weill's testimony is true.

We think that the evidence we now have is insufficient and propose to indicate to Lazard Freres the minimum additional proof which we will require. Since we do not have the requisite personnel in Paris to make an independent audit of Lazard's books and records we propose to inform the Lazard officials that they (1) prepare from their books and records of Lazard, Paris, the additional documentary proof to substantiate their allegations, and (2) submit their proof to our staff in Paris which would examine the proof and require clarification of doubtful points and the submission of any additional information which may be lacking. In addition, our staff in Paris will make spot checks of the books and records of Lazard, Paris.

Do you agree?

Yes. H.M.J.

CC-1557
This telegram must be paraphrased
before being communicated to anyone
other than a Government Agency. (SECRET O)

Chungking
Dated February 6, 1945
Rec'd 12:30 p.m.

Secretary of State
Washington.

173, February 6, 10 a.m.

TO CROWLEY FROM MILLER AND WILLAUER FROM STANTON

Chairman of NRC has personally appealed to Ambassador Hurley for assistance in arranging immediate shipment to China of 100,000 ounces gold now in NRC New York stock. See our 1962 December 6, our 23, January 9, our letter 737 December 27 fourth paragraph.

This gold urgently required not only to maintain tin production but also to return advances made NRC by Central Bank.

HURLEY

WSB

cf:copy
2-10-45

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London

TO: Secretary of State, Washington

DATED: February 6, 1945

NUMBER: 1288

TOP SECRET

US URGENT.

Following the receipt of the Department's cable No. 806, of February 2, an officer of this Embassy got in touch with Egan, as our only newspaper contact man is in Washington at present. Egan was very hesitant about giving us a draft copy of his article, so we wired through OWI and had a copy forwarded, which reached us this forenoon. Egan has been here only two weeks.

Although the British and French Governments have presented proposals regarding restitution, proposals on economic treatment of Germany have not been presented by any of the major Allies.

It may be that Egan has been in touch with one or more of the experts who have been working under the Inter Allied Committee on Armistice Terms, set up in London by the exiled governments.

Memoranda submitted to the European Advisory Commission during the last few months by Netherlands, Norway, Greece, Belgium, Poland, Czechoslovakia and Luxembourg contain the best indication of Allied views regarding the treatment of Germany. Except the Luxembourg memorandum, which was the same as the one submitted by the Netherlands, copies of all these memoranda have been forwarded to the Department.

The unconditional

The unconditional surrender and total disarmament of Germany is demanded by all the Allied Governments and to enforce unconditional surrender and to impress their total defeat on the Germans, they call for partial or complete occupation of Germany. Certain claims, not stated in detail, to German territory are set forth in the Polish memorandum. The right to claim temporary or permanent occupancy of German territory, as compensation for devastation, has been reserved by the Netherlands and Luxembourg Governments. Removal to Germany of two-thirds of the German minority has been urged in the memorandum submitted by Czechoslovakia. Specific claims to German supplies, equipment and shipping have been set forth in several memoranda.

In all the memoranda presented it is assumed that the Germans will desire to remain a single state though they hope for political decentralization and federalism, and, in some cases, for breaking up of Prussia into several federal states.

It is assumed by the four western European Allies--Netherlands, Luxembourg, Norway, Belgium--that under rigid control of production and consumption Germany should carry on a level of industrial activity adequate to provide large reparations in kind for rehabilitation of the countries invaded.

Provisions of German unconditional surrender were recently discussed with representatives of the European Allies by a committee of the European Advisory Commission. There is no indication to date that these Allies have departed from the general viewpoint set forth in their memoranda that

to forestall

to forestall any renewal of aggression Germany must be controlled vigilantly and that German economy should be so controlled by the Allies as to contribute greatly to the economic strengthening and rehabilitation of the United Nations of Europe.

WINANT

DC/L:MAS:MLM 2-7-45

DEPARTMENT OF STATE

INCOMING TELEGRAM

DIVISION OF CENTRAL SERVICES TELEGRAPH SECTION

353

MCG-1709

PLAIN

London

Dated February 6, 1945

Rec'd 7:50 p.m.

Secretary of State,

Washington.

1298, Sixth

The following editorial appears in today's FINANCIAL NEWS:

"Do We Want American Loans?

"" The details now published regarding the American bankers alternative to Bretton Woods fully confirm the unfavorable impression made by the preliminary announcement. On the one hand, they would set up an international bank to combine the function of both the Bretton Woods bank and the monetary fund, that is, to assist in reconstruction and form a stabilization fund. Its resources would be only $3,175 millions, or $2,000 millions less than the American contribution under Bretton Woods. On the other hand, they advocate the repeal of the Johnson Act, which, as everybody knows, prohibits fresh loans to countries in default on 1918 war debts. There is no attempt to disguise the fact

that the aim

that the aim would be to offer loans to European countries (doubtless including Britain) as an inducement to them to abandon exchange restrictions and agree to a definite stabilization of their currencies in terms of gold and the dollar. The slightest acquaintance with the trend of British public opinion (or the economic thought of the past twenty years) makes it safe to say that such an offer would be rejected outright and without hesitation by this country. Recent articles in the FEDERAL RESERVE BULLETIN have shown that the interpretation of the Bretton Woods plan in responsible American quarters is completely in line with that given here by the Chancellor and Lord Keynes. Mr. E. A. Goldenweiser, for example, the Federal Reserve statistician, insisted that exchange stability is viewed not as an end in itself but as a means of promoting trade and, through trade, employment and income; and he suggested that by providing for alterations in exchange rates where necessary the fund would eliminate or moderate the disturbing rigidities which characterized the gold standard. In spite of such reassuring evidence that the administration and our own authorities have much the same approach to the problem, fears are expressed that even an international body, under American influence, might make for undue rigidity of rates.

of rates. It follows that a purely American instiution, under the direct aegis of the American bankers with the archaic hard-money views, would have no chance whatever of acceptance by us. This country has surely made it quite plain that it could not be lured back on to a regime of fixed exchanges, with the inevitable danger of deflation and unemployment, in return for the most generous loans or even outright grants-in-aid. As a quid pro quo for a return to the gold standard, such loans do not even merit consideration. But the American bankers proposals raise a wider question, and that is whether this country would be prepared to accept loans from the United States without onerous conditions attached. The first reaction to the suggestion is likely to be that we have already drawn on external capital heavily enough to pay for the war, and it would be ironical indeed if we were expected to incur fresh liabilities to pay for the peace. Few people in this country are yet prepared to regard as definitive the financial arrangements under which we have lost a large part of our investments to the United States (as well as incurring a nebulous liability against Lend-Lease) and have piled up pounds 3,000 millions of sterling debt to other overseas countries. The paradox of finance which has left this country the only one among

the United Nations

the United Nations to suffer a grave deterioration in its capital position would seem to be tacitly recognized by the American authorities, who have allowed us to rebuild our external reserves to a moderate extent during the war. It might be argued that if we are likely to stand in urgent need of dollars after the war, the present financial arrangements should be modified to allow these to be accumulated. From another point of view, again, it might be argued that American loans would merely provide an easy substitute for a lowering of the American tariff, permitting the United States to run an unbalanced creditor position for a further period. In the long run, it is imperative that America should be prepared to increase her imports sufficiently to allow other countries to pay their way by exports. While this is desirable in the normal course, however, it must be admitted that in the special circumstances of the transition period some imports free of immediate payment might, other things being equal, be a welcome means of easing the strain on our resources. In principle, it is quite true that we can always generate savings on any scale needed for reconstruction by means of restraints on consumption. But there is a limit to the reduction in the standard of living that a war-weary people can be expected to stomach. Hence, it is possible that loans for quite moderate amounts,

moderate amounts,, that would not on balance add materially to our external liabilities, could act as a useful lubricant. It is well known, for example, that countries holding abnormal sterling balances are anxious to convert a proportion of these into imports as early as possible. For our part, we can hardly expect to dam up these demands in perpetuity, in order to effect payment 100 per cent in the form of British exports. Hence there night be little harm in our accepting dollar credits to permit the conversion of a small fraction of these-- say, 5 or 10 per cent--thus substituting a dollar commitment for a sterling commitment and leaving our net position unchanged. Again, there can be no doubt that the modernization of some of our basic industries, such as coal, might be greatly expedited by the import of modern American machinery. Credits for this purpose might well prove self-financing, in the sense that the resultant lowering of British costs would contribute to a reduction in the price of all British exports, as well as helping to increase our productive capacity generally. If at the same time the import of machinery on credit, as an alternative to making this at home, permitted us to allocate some resources to the liquidation of sterling balances through direct exports, our position on

balance would

balance would be still less likely to be impaired. In sum, it would seem that a plausible case might be made out for the acceptance of comparatively small loans of the order of perhaps pounds 100-200 millions. This, however, would obviously not be of the order of magnitude needed if American loans were to provide the solution of all post-war problems on a scale to permit, for example, the immediate removal of exchange restrictions against inessential imports from America and elsewhere. For that purpose, figures have been mentioned of the order of $5,000 millions. However well-intentioned such offers may be, there can be no question that it would be greatly to our disadvantage to take on fresh commitments on anything like that scale."

WINANT

WTD

DEPARTMENT OF STATE

EDW-1725

INCOMING TELEGRAM

PLAIN

DIVISION OF CENTRAL SERVICES TELEGRAPH SECTION

London

Dated February 6, 1945

Rec'd 8:20 p.m.

Secretary of State,

Washington.

1316, Sixth.

Department's 863, Third.

Peake's statement relates to local authorities loans bill, implementing project previously reported in Embassy's Despatch No. 17623 of August 23, 1944. Bill received its second reading January 24 and February 2, 1945. Its provisions will embody the arrangements substantially as set forth in Hansard column 587, July 25, 1944, enclosed with above despatch. In accordance with the Chancellor's statement last July, discussions of the proposal have been held between the Treasury and representatives of local authorities, between whom agreement in principle has been reached.

The bill provides that local authorities shall not, without the Treasury's approval, borrow otherwise than through the Public Works Loan Board, but the Treasury will make regulations allowing for the exceptions outlined in Chancellor of the Exchequer's statement in Commons July 25.

Recent

-2- #1316, Sixth, from London.

Recent debate on the bill has brought out that although the Government's proposals were understood to involve a temporary limitation on the local authorities to borrow, nevertheless the bill contains no time limit, but the scheme will be reviewed at the end of four years after the European war.

Airmail despatch follows giving full text of bill and debate which accompanied second reading.

WINANT

LMS

EAS-1838
This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (RESTRICTED)

Salonika via War

Dated February 6, 1945

Secretary of State,

Washington.

17, February 6, noon.

The president of the Jewish community of Salonika requests following message be delivered to interested parties and expecially Rabbi Wise:

"We are reliably informed that a great number of Jews deported from Salonika were liberated in Holland by the Allied armies and we beg for telegraphic information as to number of names.

Also that everything possible be done for our co-religionists in freed territory, especially those from here thought to be in Yugoslavia, Czechoslovakia and Poland.

Of the original 80,000 Jews in Greece the 7,000 surviving here are anxiously awaiting news of their relatives, the vast majority are totally lacking clothing bedding, kitchen utensils and the possibility of earning their living".

I have seen a letter dated January 29 from the acting manager of the State Railways at Salonika to the Jewish Community here reporting that from March 15 to May 19, 1943, 42,000 Jews were sent to Germany in 16 conveys.

GWYNN

BB

Miss Chauncey (for the Sec'y), Akzin, Cohn, Drury, DuBois, Gasten, Hodel, McCormack, O'Dwyer, Files

DCG-1651

Dublin

Dated February 6, 1945

Rec'd 5:25 p.m.

Secretary of State,

Washington.

26, February 6, 2 p.m.

I have just received from External Affairs (reference my 19, January 29, the following information. Irish Charge in Berlin made inquiry as instructed and was informed that inmates of the two camps in question had been evacuated to points in the interior. Iris representative, of course, makes no suggestion as to truth or falsehood of this reply.

GRAY

JMS

BAS-1842

PLAIN

Lisbon

Dated February 6, 1945

Rec'd 8:40 a.m. 7th.

Secretary of State,

Washington.

261, February 6, 2 p.m.

WRB 304 JDC 160. FOR LEAVITT FROM HAROLD TRGBE

Saly Mayer made following expenditures all figures Swiss francs thousands: Intercross 2500 OSE 500 Hechalus 254.

NORWEB

WSB

ALH-1846

PLAIN

Lisbon

Dated February 6, 1945

Rec'd 8:50 a.m., 7th

Secretary of State,

Washington

262, February 6, 2 p.m.

WRB 303, JDC 159, FOR LEAVITT FROM HAROLD TROHE

Jackson, Bucharest cabled "Yugoslav Minister here agrees entry Yugoslavia seven refugee physicians from CZernowitz, all of whom returned from Transnistria unable earn living here. Above group all have received information from a well-informed source will take over Jewish hospital Belgrade which without doctors and inadequately equipped. When reorganized hospital will contain hundred beds for needs not only Jewish population but Yugoslav Army needs. Since no medical supplies or instruments procurable Yugoslavia material will have to be purchased here. Seven doctors will also need personal equipment, also maintenance in Belgrade at least eight months. Estimated amount required twenty thousand dollars, including purchase equipment. This offers opportunity for rehabilitating seven physicians also gesture gratitude to Yugoslav Government for helpful attitude toward Jewish population during Nazi and after liberation."

Advised Schwartz.

NORWEB

JT

EMBASSY OF THE
UNITED STATES OF AMERICA

SECRET

No. 4014 Madrid, Spain, February 6, 1945.

Subject: Transmitting Copy of Note Verbale from Ministry of Foreign Affairs Concerning Treatment of Persons in German Custody in Possession of Paraguayan Documentation

The Honorable
The Secretary of State,
Washington.

Sir:

With reference to my despatch No. 3928 of January 29, 1945 enclosing a copy of the Embassy's Note Verbale No. 3686 of January 16, 1945 transmitting to the Ministry of Foreign Affairs a copy of the Paraguayan Government's communication of November 17, 1944 to the American Ambassador at Asuncion requesting that the Spanish Government, as the protecting Government with respect to Paraguayan interests in Germany and German-occupied territory, protest to the German Government against its unjust treatment of persons in its custody to whom the Paraguayan Government has extended its protection, I have the honor to enclose a copy and translation of the Ministry's Note Verbale No. 84 of January 31, 1945 in reply, in which it is stated that instructions in that sense have again been sent to the Spanish Ambassador in Berlin, to the end that the position of the persons in question may be favored in all possible ways.

Respectfully yours,

/s/ W. W. Butterworth

W. Walton Butterworth
Charge d'Affaires ad interim

Enclosure:

From Foreign Office,
January 31, 1945

File No. 704
WWB/jf
Original to Department
(for Ozalid machine)
Copies to Bern and Asuncion

Enclosure to despatch No. 4014 dated February 6, 1945 from W. Walton Butterworth, American Charge d'Affaires ad interim, at Madrid, Spain on subject of Persons in German Custody in Possession of Paraguayan Documentation

TRANSLATION

(SEAL)
MINISTRY OF FOREIGN AFFAIRS
B-2.
No. 84

NOTE VERBALE

The Ministry of Foreign Affairs presents its compliments to the Embassy of the United States of America and in reply to its Note Verbale No. 3686 of January 16, 1945, has the honor to state that the opportune instructions have been reiterated to the Ambassador in Berlin in the sense urged by the Government of Paraguay to the end that the position of the persons provided with Paraguayan documentation to whom the cited Note Verbale refers be favored in all possible ways.

Madrid, January 31, 1945.

TO THE EMBASSY OF THE UNITED STATES OF AMERICA

JF:jf

EMBASSY OF THE
UNITED STATES OF AMERICA

SECRET

No. 2736 Quito, Ecuador, February 13, 1945

Subject: Protection of Persons Interned at Camp Belsen Bergen, Germany, Who Bear Passports Issued in the Name of Ecuador

The Honorable

The Secretary of State,

Washington.

Sir:

With reference to the Department's telegram No. 97 of February 5, 1 p.m., and to the Embassy's reply in telegram No. 110, February 7, 5 p.m., I have the honor to transmit herewith a copy and translation of memorandum No. 45-DDP-13 of February 8, 1945, from the Ministry for Foreign Affairs stating that it has issued instructions requesting the Swiss Government to designate a Swiss consular official to extend for one year the period of validity of the Ecuadoran passports held by 147 persons interned at Camp Belsen Bergen, Germany.

Respectfully yours,

(Signature illegible)

Enclosures:

1. Copy of Memorandum
2. Translation of Memorandum

840.1
CGR:mt

Enclosure No. 2 to despatch No. 2736 of February 13, 1945, from American Embassy, Quito, Ecuador.

TRANSLATION

MEMORANDUM

With relation to the memorandum dated February 7 from the Embassy of the United States of America, the Ministry for Foreign Affairs takes pleasure in stating that, inasmuch as the Government of the United States has guaranteed to deliver to the Ecuadoran diplomatic or consular officer who may be designated in due course the passports of the 147 persons interned in the concentration camp at Belsen Bergen who are said to be Ecuadorans, appropriate instructions have been issued to request the Swiss Government, as representative of its (Ecuador's) national interests in Germany, to designate a Swiss consular officer to extend for one year more the period of validity of those passports.

The Ministry for Foreign Affairs, as soon as it receives the details of the action taken by the Swiss officer, will inform the Embassy of the United States of America for the purpose of the fulfillment of the guarantee.

Quito, February 8, 1945

TR:CGR:mt

EMBASSY OF THE
UNITED STATES OF AMERICA

SECRET

No. 2677 Quito, Ecuador, January 30, 1945

Subject: Protection of Persons Interned in Germany Who Bear Passports Issued in Name of Ecuador

The Honorable

The Secretary of State,

Washington.

Sir:

With reference to the Department's telegram, No. 65 of January 24, and to the Embassy's reply in telegram No. 88 of today, regarding the protection of 147 persons interned in Camp Belsen Bergen near Hanover, Germany, who are in possession of passports issued in the name of Ecuador, I have the honor to transmit herewith a copy and translation of the memorandum from the Ministry for Foreign Affairs, cited in the Embassy's telegram under reference, which sets forth the attitude of the Ecuadoran Government.

Respectfully yours,

(Signature illegible)

Enclosures:

1. Copy of memorandum.
2. Translation of memorandum.

Copy to Consulate General, Guayaquil

840.1
CER:hbj:mt

Enclosure No. 2 to despatch No. 2677 of January 30, 1945, from American Embassy, Quito, Ecuador.

TRANSLATION

MEMORANDUM

The Ministry for Foreign Affairs has learned from reading the memorandum of the Embassy of the United States of America dated January 29, 1945, that 147 persons now interned in Camp Belsen Bergen near Hanover, Germany, in possession of passports which are said to be Ecuadoran are in imminent danger because the period of validity of said documents has expired or is about to expire.

2. Although the Government of Ecuador positively does not recognize the validity of passports granted without compliance with the provisions of national law, in its eagerness to protect the lives of persons who are in German concentration camps it is willing to request the Federal Government of Switzerland to designate a consular representative to legalize those papers giving them validity and to notify the German Government of that fact, provided that the Government of the United States guarantees that the 147 passports which would require validity by this procedure will be delivered by the American military authorities to the diplomatic or consular officer whom Ecuador may designate as soon as their bearers regain their liberty.

3. The Ministry for Foreign Affairs is waiting to learn the opinion of the Embassy of the United States concerning the proposed guarantee in order to issue the pertinent instructions.

TR:CGR:hhj:mt

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Moscow via Army

TO: Secretary of State, Washington

DATED: February 6, 1945

NUMBER: 342

CONFIDENTIAL

The following message for the War Refugee Board and for the Department is transmitted.

In connection therewith please see Department's telegram of January 22, No. 134.

There have appeared in the press of Russia since capture of the city by Soviet troops two items with regard to the Oswiecim concentration camp. A former inmate of this camp from Veronezh Oblast is quoted in an official communique for January 31 to the effect that the number of prisoners varied between 15 and 30 thousant at this camp. Women and men who were incapable of work and invalids were killed by gas and in special furnaces their bodies were burned. Those prisoners who were fit for labor were forced to work in mines and the Germans killed those who grew weak from hunger, heavy labor, and beatings. Over a period of four years many thousands of people were tortured and killed by the Germans in the camp.

A special article by a front correspondent in Oswiecim published in PRAVDA for February 2 describes in considerable detail the arrangements and organization for the mass murder of prisoners at this camp. The size of the camp particularly impressed the correspondent. It is reported that local inhabitants relate that in 1941, 1942, and the early part of 1943 five to eight trains loaded to capacity arrived at the camp each day from the occupied areas of Czechoslovakia, Poland, the Soviet Union, Yugoslavia and France. Special crews ran the trains into the camp and no train was ever seen to return with passengers on board. Following disclosure of the secrets of the Majdanek concentration camp near Lublin during the past year the Germans are reported to have dismantled many of their installations at Oswiecim and to have made an effort to efface the traces of their crimes at this camp. In conclusion the correspondent states that he has seen thousands of tortured inmates of the camp who were saved by the Red army's rapid advance. They are described by him as being people whose age it is impossible to guess and as being exhausted to the point where they swayed like shadows in the wind. There is no indication as to what proportion of these survivors were Jews, in this article.

Regarding the inquiry made by the War Refugee Board concerning the number of Jews surviving in Lodz, an American

correspondent returning

correspondent returning yesterday from a visit there states that he was informed that there were only 829 Jews surviving from a population of 250,000 before the war. About 150 Germans remained behind in Lodz, he stated in addition.

KENNAN

NOT TO BE RE-TRANSMITTED

COPY NO. 4

SECRET

SITREL No. 43

Information received up to 10 a.m., 6th February, 1945.

GENERAL

1. ANTI-SUBMARINE OPERATIONS. 5th. Frigates of 19th Escort Group probably sank U-boat off North Coast Ireland.

MILITARY

2. WESTERN FRONT.
Southern Sector: Gap behind Colmar pocket reported closed by junction at Roufach elements French Division pushing north from Mulhouse and U.S. Armoured column driving south from Colmar.

Central Sector: 1st U.S. Army troops have pushed north Schleiden and have reached Urft Dam.

3. EASTERN FRONT.
East Prussian Sector: Further gains made N.W. Koenigsberg.

Central Sector: Russians advanced to River Oder north and S.E. Frankfurt and also captured Goritz.

AIR

4. WESTERN FRONT.
Night 4th/5th. Bomber Command despatched 673 aircraft (4 missing): Bonn 238 (849 tons) benzol plants (665 tons) Osterfeld 123 and Nordstern 120, and Hanover 51 (56 tons) (through cloud), while 141 engaged in seamining and other missions. In addition Sterlings S.H.A.E.F. (Air) dropped 118 tons Grevenbroich (S.W. Dusseldorf).

5th. Owing to weather no offensive operations undertaken on Continent.

Night 5th/6th. 76 Mosquitoes (1 missing) despatched including 63 Berlin.

5. MEDITERRANEAN FRONT.
4th. 174 Mitchells bombed railway bridges Brenner route and N.E. Italy with excellent results. 739 fighter bombers and fighters (7 missing) attacked communications and supplies North Italy and also gun positions battle area destroying minimum 23 bridges, 10 locomotives.

6. SIAM.
3rd. 70 Liberators dropped 116 tons Jumbhorn (S.W. Siam) near Burma border with good results.

HOME SECURITY

7. ROCKETS.
Day 5th. 2 incidents reported.

Night 5th/6th. 3 incidents.