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Book 837

April 13-16, 1945

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April 13, 1945
9:26 A.M.

HMJr: Hello.

Operator: Mr. Sproul.

HMJr: Hello.

Mr. Allan Sproul: Good morning, Mr. Secretary.

HMJr: How are you?

S: I'm all right. I want to express my deep sympathy to you. I know how this must hit you.

HMJr: Well, it hits me pretty hard.

S: Yes, I know it has.

HMJr: Yeah.

S: Mr. Secretary, we have taken steps to see that the Government security market behaves itself today.

HMJr: Good.

S: It will be -- there will be trading as there will be on the Exchange, but we've asked the market to discourage all unnecessary trading.

HMJr: Good.

S: And have told it that if there is selling that can't be taken care of by the market that we will stand ready to take it, and that we don't want to see any changes in quotations in any size.

HMJr: Good.

S: And the market doesn't expect any serious unsettlement, but it agrees with the course we've outlined for it and will cooperate 100%.

HMJr: Fine. Now I had two talks last night with Schram.

S: Yeah.

HMJr: And I was very much in favor of keeping the Exchange open.....

S: Yes.

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HMJr: ...as was he. And then he wanted to know whether we thought it would be agreeable if out of respect they closed on Saturday.

S: Yes.

HMJr: And I said I thought it was a nice idea.

S: Well, they are going to do that, and we've asked the Government security market to suspend trading tomorrow too, if that's agreeable to you.

HMJr: Entirely.

S: Fine.

HMJr: Now, two things - I wish you would try to find out how the London market is behaving.

S: I have a report on it, and it behaved very well.

HMJr: It has.

S: Yes. It said it was quiet, but the undertone steady.

HMJr: Good. Well, now supposing about quarter past ten after you have had a chance to see what the Government market and the stock market is doing, will you give me a ring?

S: I'll do that.

HMJr: And I'd like to hear from you.

S: All right, I'll call you then.

HMJr: Thank you very much.

S: Goodbye.

April 13, 1945
9:31 A. M.

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HMJr: Hello.
Operator: Mr. Simmons at the White House.
HMJr: Who?
Operator: Mr. Simmons.
HMJr: Simmons?
Operator: That's right.
HMJr: Hello.
Operator: Go ahead.
Mr. Simmons: Hello.
HMJr: Is this Mr. Simmons?
S: Yes, Mr. Secretary.
HMJr: Can you give a message to Mr. Truman for me?
S: Yes, sir.
HMJr: Have you got a pencil?
S: Yes, sir.
HMJr: Just tell him that I have been in touch with the President of the New York Stock Exchange..
S: Yes.
HMJr: .. and the President of the Federal Reserve Bank of New York...
S: Yes.
HMJr: ... and they have assured me that the financial community will carry on as usual.
S: Right, sir.
HMJr: And that if there is any undue disturbance they are going to let me know.
S: Right, sir.

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HMJr: Furthermore, I've had word that the financial community of London...
S: Yes, sir.
HMJr: ... is going on all right.
S: London is going on all right.
HMJr: You see they are six hours ahead of us.
S: Right, sir. I'll be glad to do that.
HMJr: Thank you.
S: All right, sir.

April 13, 1945 5 ✓
9:55 A. M.

Mr. Fred Smith: Hello.
HMJr: Fred.
S: Hi, boss.
HMJr: How are you?
S: I feel pretty low.
HMJr: Well, I feel lower.
S: Well, I should think you would.
HMJr: I got your various messages yesterday.
S: Yeah.
HMJr: And the reason -- I want to say thank you -- but the particular reason I'm telling you up is this, you may or may not know that there is a group of so-called Arts and Sciences were putting on a production over your chain at 9:30 Tuesday night from Hollywood.
S: Yeah.
HMJr: A Mr. Samich knows about it.
S: Yeah.
HMJr: What?
S: Yeah, all right.
HMJr: Do you know who he is?
S: Adrian Samich, yeah, sure.
HMJr: Well, I didn't know.
S: Yeah, he's the production man here.
HMJr: I thought he might just be another vice-president of the Blue.
S: No, not quite.

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HMJr: What?
S: He's the one who isn't.
HMJr: I see. Well, this ---- I've got sitting here in the room Mrs. Klotz and Alan Barth.
S: Yeah.
HMJr: And, I got a copy of this script which they did which would have --- looking at it I can't tell -- but, of course, it was written before the President died.
S: Yeah.
HMJr: And I was to have gone on for six to nine minutes, see?
S: Yeah.
HMJr: They tried to get Senator George, and they couldn't and at the last minute they want to throw me in. Well, my own feeling is -- you know how I fuss when I go on these things--
S: Yes, I know.
HMJr: And I just don't frankly feel like taking it on.
S: Yeah.
HMJr: Because they'd have to, I think, completely do this script over.
S: Well, they probably will have to any way. I don't know what it is but I will look into it.
HMJr: Well, supposing you look into it. My own inclination is, Fred, that I just can't emotionally take on you know going through the throes of taking part in a show next Tuesday night.
S: That's right. Is it a bond business?
HMJr: Well, this is a kind of a --- I have plans on it -- they've done a play -- no, it's Bretton Woods.
S: Bretton Woods?

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HMJr: Yeah.
S: Ahuh.
HMJr: It's Bretton Woods.
S: Yeah. Well, let me look into it and I'll call you back, eh?
HMJr: Supposing you look into it.
S: All right.
HMJr: Do that.
S: O. K. thanks a lot.
HMJr: Bye.

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April 13, 1945
10:15 a.m.

RE: PEPPER COMMITTEE

Present: Mr. Lynch
Mrs. Klotz

MR. LYNCH: I believe, Mr. Secretary, that this has to do with Senator Pepper's invitation. I would assume that the hearings will not be held now, but I have information that you doubtless already have. I am trying to check with the Senator's secretary, who told me earlier they will know at twelve-thirty. But, of course, it is presumed not only will there be formal adjournment of conferences, but all work except that of an urgent nature will be deferred for a while.

H.M.JR: For this week?

MR. LYNCH: Yes, I assume so.

H.M.JR: I thought this was the 17th, 18th, and 19th.

MRS. KLOTZ: That is for next week.

MR. LYNCH: Yes, that is next week. I thought the adjournment would carry on until next week.

H.M.JR: Oh, I see. Let's find out. I will be around all afternoon.

MR. LYNCH: All right. Otherwise there is no point in discussing it further now. I might say while I am here that Senator Pepper feels that this would be very good for Bretton Woods because he was pointing the hearing to the interest of the small businessman particularly, and the small manufacturer in foreign trade, and he felt that it would be an opportunity to get Bretton Woods off the level of banking technicalities, and so forth, in the interest of the run-of-the-mill tradesman and businessman.

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H.M.JR: Are you sitting in on the ten-thirty meeting on Bretton Woods?

MR. LYNCH: I hadn't heard about it. That is all right.

H.M.JR: Thanks.

BRETTON WOODS

Present: Mr. D. W. Bell
Mr. Gaston
Mr. White
Mr. Lynch
Mr. Luxford
Mr. Bernstein
Mr. Ferguson
Mr. Acheson
Mrs. Klotz

H.M.JR: Gentlemen, I haven't talked with my own people about this at all other than via teletype, but I thought we could talk ourselves out, anyway. We are exhausted. As you people know, Luxford and Bernstein went up to New York, and then Bell followed them, and there have been these groups--do you mind getting out of my satchel two memos, one from Bell and one from Luxford that came down on Bretton Woods? I sent word to them that if they could get this thing through the House, well, either with no amendments, or possibly just the one that the CED asked for, it seems to me it would strike the opposition greatly when we go in the Senate, because our trouble is going to be in the Senate. And if we start horse-trading in the House, by the time we get to the Senate we won't have any shirt left to trade.

(Mrs. Klotz leaves the conference temporarily.)

H.M.JR: I think that whatever we do before we come to a definite decision and talk to the ARA group, I certainly would want to sit down with Spence and Wolcott, see, because the only advice Wolcott ever gave me--and I haven't talked to him since I came back on the train except maybe once on the phone since the debate--was that there may be a time when you will have to give in on something, but I want to make sure that whatever I give in on will be acceptable to him, you see. And I think that some of these suggestions

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April 13, 1945
10:30 a.m.

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are perfectly ridiculous, and it so happens I talked with the President night before last. I was saying that it had just suddenly flashed on me that the very group that had been pushing us hardest was the group that put him in an untenable position in the London Economic Conference, Day and Williams and that crowd that put him in the position where he couldn't agree. They wanted three and one-half dollars to the pound, and he found himself in the position from which America just never could have recovered, and it is that crowd, plus their descendants. I spoke to him about it, and he went and reviewed the whole thing, how he had written this thing coming down. I happened to have been with him and everything else, but it is the same group, only Mr. Day--or Cornell wasn't there. I don't know where he would stand, but Williams, who I understand is the most vehement on this thing, certainly was there. I don't know how George Harrison would be, but I can imagine if we talked to him--I know that he didn't have the best interests of the country at heart at that time, and I gravely question whether they have now, but I would be more than pleased to listen.

I just did want to make that little statement, but before we go, I wondered whether you agreed. Whatever we did before we talked to the ABA, we ought to sit down with Wolcott and Spence.

MR. ACHESON: I think that is the very central key fact in the whole thing. It would seem to me to be most desirable if it is possible to get this through the House with a large vote, and if possible, not a party vote. I think that will do more to strengthen this in the Senate than anything else, but what we do here should be put forward by Wolcott on the concession side and accepted by Spence. That's how it ought to come. I should think we would all be agreed on that.

H.M.JR: Well, should we take it up item by item and discuss the suggestions they made? Would you think that would be the intelligent way to go ahead?

MR. ACHESON: Yes, I think that would, unless you want to talk further about general strategy.

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MR. BELL: About tactics in the situation--that is really important, it would seem to me.

H.M.JR: Well, I don't see how anybody can very well disagree as to the tactics. If they do, I wish they would talk up.

MR. BELL: There was a point as to whether you wouldn't try to give Wolcott a great deal of credit for this compromise so he could carry on with members of his own party, and that would take him out of the position he is now in, as I understand it, and it would go to the Senate, as Dean suggests, with a large vote, and rather than have a partisan vote, you are in a much better position on non-partisan lines in the House.

H.M.JR: There again I would have to talk to Spence first.

MR. BELL: Your suggestion is good, you from here to Spence and Wolcott.

H.M.JR: Spence first. I don't know how much credit he would want to give to Wolcott, and I am surprised every time I speak to Mr. Rayburn how familiar he is with the political strategy which is going on; he seems to be right up on it. The first person to talk to would be Spence. Nobody has told him of these negotiations.

MR. LUXFORD: Mr. Secretary, I would like to express my views as of last night. I just can't comprehend what has happened since then so far as tactics are concerned.

H.M.JR: You will have to talk louder.

MR. LUXFORD: I would like to express the views I had last night before this happened. I can't project what happens by virtue of that, but up to that point what worried me was this.

H.M.JR: Come closer, I can't hear you.

MR. LUXFORD: I am sorry. In the House Committee as of today we don't have a guarantee of a majority on our side.

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Nobody yet--this is just all I know. I checked with Spence on it. No one knows where Barry and Helms will shape up. I have a letter Baldwin sent to Drew Pearson, and it is equivocal. He could vote any way on the basis of that letter.

What worries me, too, is that I don't like to see that Committee report this bill on a straight Republican-Democratic alignment. I think that it would be unfortunate on the whole balance of the sponsoring of this bill if it has that partisan characteristic. That was the basis of my conviction last night, that we ought to try, if we can, to bring Wolcott or some of the Republicans along so that we can give this thing a bi-partisan aspect.

H.M.JR: That is all obvious to me. That is nothing new.

MR. LUXFORD: The only question is whether you evaluate this proposal as one that would maybe bring Wolcott along.

H.M.JR: I think the only way you can find out is to move from here to Spence. Have you any ideas?

MR. LYNCH: Subject to proprieties, if you are having a conference with Spence, I would like very much to see Mr. Hayburn at the same time, if that could be properly arranged. I think Mr. Hayburn has a little better count of noses in strategy on the general subject. I don't purport to know enough to have a judgment, except I would personally feel very reluctant to offer a compromise in the House until you knew that the time had come when you had to do it.

H.M.JR: Herbert?

MR. GASTON: Well, I think the main question is still to be decided here as to whether you are going to admit a compromise in the House in order to get a non-partisan vote, and that is the thing you are going to decide when you talk to Spence.

H.M.JR: White?

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MR. WHITE: I think the unquestioned thing to do is what you say, talk to Spence first. I like Tom's suggestion of having Hayburn there, and I think we might consider having Bob Hannegan there, and you will know much better after talking with them what the next step should be. I think we are taking it a little too easily, the notion that the Republicans will make a partisan issue of this and that you won't get Republican votes. Nobody knows, of course, and probably they are not going to tell you, but the Republicans will be taking a terrific responsibility if they vote against this at this time. And they are largely political considerations, quite exclusive of any specific matters of Repton Woods, and would give the Republicans very considerable pause.

I know that in the Senate we can count on at least half a dozen Republicans that we know of, so that in itself seems to suggest that there will be doubt among the parties themselves as to making it at this time a Committee report on a clearly partisan basis. I think we should bear in mind that merely because we don't know and can't guarantee that Republican Congressmen are going to vote for it, we shouldn't fall into the assumption that they are very likely to, but again I come out with the same thing you come out with. We ought to talk to Spence. If you can appropriately get Hayburn and Hannegan there, that is the thing to do.

H.M.JR: I don't think I would get Hannegan at this time.

Bernstein?

MR. BERNSTEIN: I think we ought to go ahead along the lines you mentioned, talking to Spence, and if he agrees, to Wolcott in order to get as large a vote as possible in the House.

H.M.JR: I am sorry. Ferguson?

MR. FERGUSON: I feel much the same way. It seems to me that the bankers are the principal opponents and that if

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you found a compromise which they would accept that the Republicans could propose and would get you a large vote in the House, there would be very little for opponents in the Senate to lean on.

H.M.JR: Supposing I try to get hold of the Speaker now and find out what his plans are?

MR. ACHESON: I think that is a good idea.

MR. LYNCH: Mr. Secretary, could I say this? I am sure everybody has it in mind. I am sure there is one void in this approach in my mind, and that is how people line up today.

MR. LUXFORD: That is the thing I can't figure out.

MR. LYNCH: Before there is any further evaluation of the necessity or desirability of what I consider a compromise here, can't something be done by the leadership which I would think would be Mr. Rayburn and Mr. McCormack and others to count noses in the Committee?

Now, I don't think it would be unusual for them to call in their own people and ask them just where they stand.

H.M.JR: Mr. Rayburn could send for these two men if he would be willing to.

MR. LYNCH: I would like to see that done independently of this compromise.

H.M.JR: Who is the whip up there?

MR. BELL: Ramspeck.

MR. ACHESON: Ramspeck. Does anyone have any idea what happened in this Republican meeting two days ago?

MR. LUXFORD: Dean, I checked on that; Spence is the first one that advised me of it, and there was no meeting two days ago. The meeting occurred a week or so ago with a Republican caucus, and at that caucus Joe Martin was

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adamant in making this a party issue. Wolcott on the other hand straddled the fence; he would not take a position at that time, and they agreed on having a further meeting--a further caucus on it as soon as Congress reconvenes, which will be a further discussion of the pros and cons of Bretton Woods, but at that time Martin wanted to make it a straight party issue.

H.M.JR: I just can't believe the Republicans would be so stupid.

MR. LUXFORD: Spence has told me that--

MR. WHITE: I think the events of yesterday would make them more reluctant to make it a party issue, although I think they would have been reluctant before then, but it would make them more reluctant if anything, because it would make it appear to the world that they are putting the party in this matter above things more powerful.

MR. ACHESON: Well, I have had a worry that one branch of the Republican Party--I have been afraid that the branch of the Party that Bob Taft and Martin represent is going to take the general line of going along with San Francisco on the idea that that would take the curse off any isolationism, but attacking all the specific things like Bretton Woods and trade agreements and anything else that we do. And if they do that, it would be unintelligent from a long-range point of view, but it would be the kind of thing that wouldn't surprise me much.

MR. WHITE: I certainly think that is true of Taft and Martin and a good many followers; I agree.

MR. BERNSTEIN: Where they would make it a party issue is to bring in a report that is extremely conservative which would go much further than this type of legislation, and they would hold together as a party until the last minute and try to put across a program far worse than this would represent. It may be that after that is defeated on a straight party line, then the lines would break.

H.M.JR: Well, certainly before I do any more horse-trading I would like to know what the new horse looks like.

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MR. ACHESON: Yes.

H.M.JR: What?

MR. ACHESON: Yes.

MR. WHITE: I went over the report very carefully for the first time yesterday.

H.M.JR: Which report?

MR. WHITE: The report of what Burgess might recommend, as Luxford put it now, which was to serve as a basis for discussion, and there is a good deal of it that could be easily accepted. There is no question about that.

H.M.JR: Well, talk it over. You are the man that wants to do the least compromising. What would you be willing to accept?

MR. WHITE: Well, let's see. There are four major specific points if I remember correctly. The first one is about the Council, I think.

H.M.JR: Council?

MR. WHITE: The establishment of a Council.

MR. GASTON: Advisory Council.

MR. WHITE: It is called Council here, International Monetary and Financial Council, consisting of the Secretary of the Treasury as Chairman, Secretary of State, and Secretary of Commerce. This has been changed.

MR. WERNSTEIN: No, that is the text.

MR. WHITE: Well, at any rate, a Council. I think that could be worked out so it would be mutually quite satisfactory with the one exception. I find myself in complete agreement with the Federal Reserve Board in which they feel that the representative of the Federal Reserve Board is

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adequate and there shouldn't be any representative of private banking interests.

H.M.JR: Meaning the Open Market Committee?

MR. WHITE: That is right.

MR. BELL: No representation of the Federal Reserve System other than the Board?

MR. WHITE: I would still say private banking interests, but either case.

H.M.JR: I would go along with that. I would say the Board would be adequate, but I have completely different reasons which I don't think it is necessary to go into.

MR. WHITE: The Board, at any rate. They--

H.M.JR: I mean, I arrive at the same conclusion, but for different reasons.

MR. WHITE: They want to leave off the Secretary of Commerce, and I said we would be opposed to that. That is one point. But I think you could make something that would follow very closely what the Federal Reserve Board wants.

H.M.JR: What would this Council do?

MR. WHITE: What the Council would do is, they want-- it is something that we would want to consider more carefully, because I am not in agreement with giving them as much power as they have indicated here. They would be both advisory, and they would have powers of directing the representatives selected by the President and Senate on these two institutions. They would have very considerable directive power. Now, that is to be gone over carefully.

MR. LUXFORD: It is only a couple lines. May I read what they are?

H.M.JR: Just a second, we certainly don't want a Council which is in the same position that Max Gardner was in

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with Jimmy Byrnes. It was a very peculiar relationship. On the other hand, what they call the Federal Reserve Advisory Council--that isn't the name, but what is that?

MR. BELL: That is the one of the Federal Reserve System.

H.M.JR: What is it called?

MR. BERNSTEIN: That is the name of it.

H.M.JR: The way that meets, four times a year--they meet and make a report. If it was something along those lines--

MR. WHITE: I think it is something half way between those two.

H.M.JR: Having the Federal Reserve Advisory Council to the Federal Reserve Board is innocuous, and they have a statutory position, too.

MR. GASTON: As set up, this is quite different.

MR. LUXFORD: I can read it very quickly.

MR. BELL: This lays down policy, for example.

MR. LUXFORD: (Reading from "Possible Changes in H. R. 2211," attached.) "The council shall act under the general direction of the President and in accordance with such policies as the Congress may prescribe from time to time." Then, "The U. S. governor or the executive director of the Fund and Bank and their alternates shall keep the Council fully informed of their activities and shall act in a manner consistent with the general policies established by the Council."

Our representative shall act in a manner consistent with the general policies laid down by the Council.

MR. WHITE: Is this the same copy I saw?

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MR. BERNSTEIN: It is a carbon; it is the same as has been handed to me.

MR. WHITE: This is something different. All right.

MR. LUXFORD: There is a further provision for a governor or executive director representing the United States who shall not vote in favor of any waiver of article five increasing the amount the country may have, or any declaration of United States dollars or scarce currency or major policy without prior consultation with the Council.

MR. WHITE: I think that is something we want to examine a little further.

H.M.JR: I thought that was the purpose of this meeting because Acheson was going to leave at one o'clock.

MR. ACHESON: I have cancelled that. I am going to stay here.

H.M.JR: In the time we have I would like to take it up point by point and discuss it and try to come to some understanding as to how this group here feels, so you can start anywhere you want. I thought that was the purpose of the meeting.

MR. LUXFORD: I have three extra copies here.

MR. WHITE: Yes. That was not the correct copy I was reading.

MR. GASTON: What I have seen is merely a memo of it.

H.M.JR: What have I got?

MR. LUXFORD: The same as this.

MR. WHITE: I didn't have the final copy.

MR. BERNSTEIN: When we came back from New York--we had a draft put together in New York with notes on it for changes. We gave Mr. White that copy, and this is the rewrite of that copy.

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H.M.JR: What have I got?

MR. BERNSTEIN: The latest thing we agree with.

H.M.JR: Wonderful.

MR. WHITE: Do you want to begin section by section?

H.M.JR: Yes, but that was the whole idea. I mean--

MR. WHITE: Do you want me to raise a question on the first section and then discuss it?

H.M.JR: What page are you reading?

MR. WHITE: Page one, which states section three is amended as follows:

MR. GASTON: That follows your general memo.

H.M.JR: Oh, possible changes?

MR. GASTON: Yes.

MR. WHITE: Yes, in the bill.

H.M.JR: Let's take it up by sections. Don't you think we should, Dean?

MR. ACHESON: Yes, that would be very helpful.

H.M.JR: See what we can agree on and can't agree on.

MR. WHITE: Well, the objection I have to three is the making of the executive director the same person for the Fund and the Bank.

H.M.JR: Let's read three through first.

MR. WHITE: Excuse me.

MR. GASTON: I will read it out loud.

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"Section 3: Section 3 is amended to read as follows:

"Sec. 3. (a) (The United States shall be represented on the Fund and Bank by one person serving as governor and another as executive director of both institutions.) The President, by and with the advice and consent of the Senate, shall appoint (a) one governor and one executive director to represent the United States on both the Fund and the Bank. The executive director so appointed shall also serve as provisional executive director of both institutions for the purposes of the respective Articles of Agreement. The term of office for the governor shall be five years and for the executive director two years (.) (An) but the executive director shall remain in office (, however,) until a successor has been appointed."

H.M.JR: Let me ask this? If this thing was accepted, that doesn't mean the other countries have to do anything about it?

MR. ACHESON: No, this does not amend the agreement.

H.M.JR: This is domestic?

MR. ACHESON: Yes.

MR. GASTON: Instead of having separate representation on two institutions, we will have the same representation on both.

MR. BELL: In the bill I understand it is discretionary. Is that right?

MR. LUXFORD: It is possible.

MR. BERNSTEIN: It would be either way, I guess.

H.M.JR: Sproul called up and said everything was quiet, both the bond market and the exchange and the London market. They are all quiet.

MR. BELL: Good.

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MR. LUXFORD: Herbert, I think B ought to be read in conjunction with this.

MR. GASTON: "(b) The President, by and with the advice and consent of the Senate, shall appoint (an alternate for each of the positions specified in subsection (a) of this section who shall serve for the same term as his principal; provided: (1) alternates for the positions of governor and executive director of the Fund and Bank respectively need not be the same person and--"

(Secretary holds a telephone conversation with Congressman Spence, as follows:)

April 13, 1945
11:02 A. M.

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HMJr: How are you?

Congressman
Spence: I'm pretty well. It's a terrible tragedy for the world, for our country, and for everybody it seems to me.

HMJr: Awful.

S: Awful.

HMJr: Yeah. Mr. Spence, I suppose we have to go on working on these sort of things like Bretton Woods.

S: That's what I think. I don't see how we can stop. We've got to go right ahead.

HMJr: Well, I'm sure

S: That's what the President --- one of the last words of the President, wasn't it?

HMJr: That's right.

S: Yes.

HMJr: Now, we are meeting here in my office - a group of us - talking about some suggestions for compromise that the - that Mr. Burgess has made for the American Bankers. Now, what I wondered was this. We've agreed to nothing, see?

S: I wouldn't agree to anything.

HMJr: And we want to ask you whether we ought to tell you and possibly Speaker Rayburn what they are proposing, and then get your advice.

S: Well, my advice is to fight it out the way we are, and of course, if we can't take it why that's another proposition. But I wouldn't agree to anything.

HMJr: You wouldn't agree to anything?

S: No, I wouldn't agree to anything. Now I think there is going to be some -- well, if you feel there are some amendments that would have no effect at all and wouldn't impair the usefulness

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S:(cont.) ...of it that might be another thing. Most of these amendments, I think, that they have proposed are sabotaging amendments, aren't they?

HMJr: Well, they have made one or two that we might accept.

S: Did they?

HMJr: Not they, but this so-called CED - this Committee for Economic Development.

S: Yes. Well, they are coming here to testify. They want to testify. Flanders wants to testify.

HMJr: Yes.

S: And he asked me to question Ruml, which I offered Ruml an opportunity, but he didn't seem to accept.

HMJr: Yes.

S: When they come here maybe we can see just where they stand, and then we can consider it. Don't you think that would be a good idea?

HMJr: Well, I've just talked -- what they suggested we could accept. You see, it is a perfectly reasonable suggestion.

S: Let's --- let's when we go into it - not accept anything now.

HMJr: That's what you feel.

S: No, but when we do accept something, let's accept that in lieu of all other things. You see, if we accept something now it puts us just in the same position as if we hadn't accepted it. And then somebody - they won't control - they won't control the amendments, and somebody else may offer an amendment. Every amendment we accept kind of weakens us. Now if --- where after we go into the hearing they'll say, "Well, we would like to have you accept these amendments." Then we might say, "Well, we'll accept them if that's all the amendments." But if we are going to have to fight it out, we just as well fight it out on all of them.

HMJr: Yeah.

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S: Don't you think so?

HMJr: Well, when it comes to tactics up there, I'm more than willing to bow to you.

S: I think the thing to do now is to not make any definite agreements, but to listen to them.

HMJr: I see.

S: See what they want, then we'll consider them.

HMJr: When are you going to resume hearing?

S: Well, I thought I would talk with you about that. You know -- it was impossible to have these hearings while we were in recess because nobody's here. And I had the committee called yesterday, and I think the early part of the week there will be a quorum present, and I think we'll go along then.

HMJr: Next week.

S: Next week sometime.

HMJr: Well, I don't see any reason to postpone it....

S: I don't see any reason to postpone it....

HMJr: No.

S: We've got to go along, and these are the essential things. I think they mean much with the future peace of the world.

HMJr: I think that we shouldn't lose any time.

S: I don't think we should either. Well, I'll be guided by your advice down there, and what you want to do, but I think we ought to go along next week and start on it.

HMJr: Well, now, that is wholly agreeable to me. Now let me ask you. Is there anyway of our putting this fellow Baldwin and that fellow from New York-- what's his name--?

S: Berry.

HMJr: Berry. Definitely get -- find out where they

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HMJr: (cont.)stand?

S: I don't know. You know the labor organizations-- I was talking to a fellow connected with the CIO, down here at a banquet the other night, and he said they were cutting all the pressure they could on Berry, that Berry's district had been kind of a silk-stocking district, but it had changed and labor had come in there in pretty large quantities. He thought that they would have a good deal of effect upon him. Now Baldwin -- you know Drew Pearson said that Baldwin was opposed to it.

HMJr: Yeah.

S: I think that Baldwin got ribbed a good deal by the Dewey -- by the Baltimore Sun.

HMJr: Yeah.

S: His secretary -- not he -- and that sometimes is a better reflection of opinion -- if he called up he might conceal it, but his secretary called up our office and was very angry about it.

HMJr: Yeah.

S: And said Mr. Baldwin was not opposed to Stratton Woods agreements, and that they had had 150 letters in the office and only two of them were against it.

HMJr: Yeah.

S: And she thought it was very unfair that they would say that he was opposed to it. So that is about all the information I've gotten on the subject, but it seems that they are having effect on him.

HMJr: Well, hasn't it been done before that the Speaker or the Party Whip sends for people and puts them on the spot?

S: I wouldn't hesitate to do it.

HMJr: Hello?

S: I said I wouldn't hesitate to do it. I think it would be a good thing.

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HMJr: Well, who would be the proper person to do that?

S: I'll talk to Sam about it and see what he thinks, and then I'll call you up -- or you can talk to him.

HMJr: No. I think it would be nice if you would call him up and then....

S: Well, I will. I'll talk to him today about it.

HMJr: You'll talk to him today ---

S: I'll talk to him today about both of them.

HMJr: Let's find out ---

S: Let's find out where they are. Now, you know, Berry came to see me one day, and I said, "I hope you won't sabotage this thing." And he said, "I don't want to do that, but he said I'm in favor of some amendments." Well, Berry hasn't thought it out, you know. He is just in favor of some amendments because he thinks the people up there are opposed to part of it, I suppose. I don't know. Well, I'll try....

HMJr: Well, I think in the next day or two because usually those ---

S: I'll try and see Sam -- I don't know whether I can see him today. I guess they are all wrought up here.

HMJr: No, I understand he is up on the Hill.

S: Is he? Well, I'll try and see him today.

HMJr: And see if we can't decide who up there is the proper person to send for Baldwin and Berry, and just have a show-down with them.

S: I will. I'll see that --- Of course, if we lose -- if we lose Berry and Baldwin, and we lose the Republicans and we lose Hull, they've got 14 to our 13.

HMJr: Yes.

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S: If we gain one of them, we'd have a tie and they couldn't carry anything.

HMJr: Yeah. What about --

S: But we couldn't report it out either.

HMJr: What about Hull?

S: Well, now, I don't know. I've had some people to talk to Hull -- DuBois, of the smaller banker's association, he said he's pretty close to him and he's going to talk to him. And I think that some of the -- this Farmer's Union is pretty strong out in his country, and I understood that maybe Patton might have some effect on him. I don't know where he stands. I'm afraid to ask him. I don't want to drive him away.

HMJr: Well...

S: A pretty decent fellow.

HMJr: Yeah. Well, maybe we can be a little helpful on Hull, but the other -- I think the Democratic organization one way or the other ought to

S: Well, I'll tell you what I'll do -- I'll see Sam today and see what I can do.

HMJr: Fine. Thank you.

S: And I'm going to cooperate with you in every way possible and see if we can't get thing through as soon as possible. I'm --

HMJr: And you'll give me a ring afterwards?

S: I will, as soon as I talk to him.

HMJr: Thank you.

S: All right, Mr. Secretary, and I think the thing to do is to let them present their views and not make any definite commitments.

HMJr: All right. We won't do anything --- we certainly won't make any compromise down here ---

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S: Not now, no, because we don't know how we are riding now, we may do better.

HMJr: Anything we do, we'll only do after consultation.

S: All right, Mr. Secretary.

HMJr: Right. Thank you.

S: Goodbye.

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(Secretary leaves the conference temporarily.)

H.M.JR: That was Fred Smith on the Bretton Woods broadcast for Tuesday afternoon--evening--and he and I talked it over. They had a sort of play, you see, from Hollywood, the Arts and Sciences, and they want me to talk. He kind of thought it wouldn't be too good, and by the time they rewrote the script--the way the script is written I would have to do the selling, and we decided to postpone it, not call it off, but postpone it.

MR. WHITE: You couldn't get Senator George?

H.M.JR: But he thinks it is a sort of inappropriate thing to do right now anyway. I mean, they need it just as badly a week hence.

MR. WHITE: I think it had better be postponed.

H.M.JR: And this script isn't particularly--I just don't feel in the mood for going on with a lot of people. They are perfectly--I don't mind going on with movie actors with no music, but a straight play, but that kind of a show I don't think is very appropriate.

MR. LUXFORD: Not at this time.

H.M.JR: I don't think it would be in very good taste, do you?

MR. ACHESON: I wouldn't do it now.

H.M.JR: But you take care of it.

MR. LUXFORD: Yes.

H.M.JR: Where were we?

MR. GASTON: I had read the first half of Section 3 which provides that the same person should serve as governor and another person as executive director of both institutions, I mean, instead of four.

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MR. BELL: You haven't read B.

H.M.JR: Just before you go--I have read these hastily, and I would just like to state this: Offhand I can't see any objection to a Council provided it is advisory and can't issue directives.

MR. GASTON: We haven't come to that.

H.M.JR: But I think it is a great sign of weakness to have the same man at the head of two institutions, because if you agreed that one man could run two institutions, why not have one institution?

MR. WHITE: Not only that, but it would be a grave error to think one man can handle both jobs.

H.M.JR: If one man can handle two, let's consolidate it and have one.

MR. BERNSTEIN: Do you want coordination of policy and separation of functions?

MR. WHITE: There is more than that at stake, having one man for both institutions, in addition to the tactical point which you have made.

H.M.JR: I have had questions thrown at me, and the whole argument has been that the two institutions are such big jobs they have got to be separately staffed. If one man is big enough to run the two, let's have one institution.

MR. LUXFORD: That is not the proposal here.

H.M.JR: I know, I can read English, but I can also--

MR. LUXFORD: No, no, no, we are not talking of consolidating the presidents of the two institutions. We are saying that the American Director, who doesn't run the institution, but is merely one of the Board, should be the same for both institutions, which, it seems to me, is a different matter.

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MR. WHITE: It may be different so far as the governor is concerned, because the Board of Governors meets once or twice a year, or three times a year. That is one thing, but the executive director is supposed to be a full-time job. The functions of the Fund are run not by the president alone, but they are run by the Executive Committee, and the Executive Committee will absolutely have its hands full to do a good job, and to make the same man handle both, I think, would be to seriously jeopardize the success of both. The American delegate is important. He carries thirty percent of the votes, anywhere from twenty-five to thirty-five percent of the votes, so if the same man were on both institutions, he couldn't possibly devote as much time to his job as he should in view of the difficulties that each presents, and I don't see why people like that who have one hundred vice presidents in their own institutions, who wouldn't be confronted with one-tenth of the problems--why they want to insist on an executive president for both, or an executive representative for both when they recognize that so much depends upon the competent handling of the institution whether or not it is successful. I think it would be a great mistake to accept that. The governor--that is a different story--I think the governor could be on both.

MR. BELL: What was the reason for putting in the legislation that that could be--

MR. WHITE: This is the way the legislation reads.

MR. BELL: I thought--

MR. WHITE: May I read it? It says, "The President, by and with the advice and consent of the Senate, shall appoint one governor of the Fund and an alternate, and one governor of the Bank and an alternate." And then later it also says, "The President, by and with the advice and consent of the Senate shall appoint an executive director of the Fund and an executive director of the bank." In other words, he appoints both.

Now, it doesn't say in the bill that they can't be the same man.

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MR. BELL: I understood that that was discussed and you said it was a possibility that the President could appoint the same man in both jobs.

MR. WHITE: There is nothing in the language--

MR. GASTON: That language would not permit it.

MR. BELL: I am not so sure of that.

MR. GASTON: You have language to the effect that the President shall appoint a Federal Loan Administrator, and a Director of War Mobilization and Reconversion. You can't assume that the President can appoint one man to fill both jobs, can you? You can't.

MR. ACHESON: I'm not so sure you couldn't here.

MR. BERNSTEIN: Mr. Secretary, the executive director is a policy making official. He is perhaps a little more concerned with the way to do the work of the Fund or the Bank than the director of a business institution, but there is no reason why the operating heads of the Bank and the Fund--the staff of the Fund and Bank shouldn't be separate but at the same time have some members of the two Boards of Directors the same so that they can keep the policy of the two along the same lines. It doesn't mean you have to combine functions. You recognize there is a separation of functions, but in policy-making you want them to go along together.

MR. WHITE: You are obscuring the very point at issue. The point at issue is that the policy-making decisions which the Fund will have to undertake will be voluminous. They are large. Every time they make a decision whether or not any particular country is out of line or whether to do this or that, it is a policy decision.

MR. JR.: I gather you fellows haven't had a free-for-all on this.

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MR. WHITE: Oh, yes, but we have disagreed flatly.

MR. LUXFORD: That's right.

MR. WHITE: Not with Lean.

H.M.JR: May I interrupt a minute? I have difficulty concentrating today. May I just say this? If you don't mind, I am going to ask if you wouldn't adjourn to Bell's office and continue. In view of my conversation with Mr. Spence, there is no great hurry. I mean, I thought we might--these bankers are meeting tomorrow, but in view of what Mr. Spence said, I don't see--if anybody disagrees, I wish they would speak up--that there is anything we can do but sit back now, because Spence told us definitely he doesn't want us to compromise. What do you think, Lean?

MR. ACHESON: I am not at all sure Spence understood what this was all about, and the thing I would be worried about if we adopted Spence's view, is that the thing will solidify into a political lineup before you begin talking with people. Now, if that happens, I think we have lost ground. I should hope that we could do several things now. One is to make up our minds about these proposals so that we would know what we were going to do if we have to decide, and not drift into this in a state of disagreement and confusion.

The second thing is that I think Spence and the Speaker ought to be told the type of proposal which has been put forward here and the degree to which we would be willing to go so that at least they have the knowledge that a negotiation can take place and what it is. And then if they are wise, they will probably begin to feel out Wolcott and let him know that this isn't a situation where he has got to come right over without any face-saving.

H.M.JR: You all heard the conversation and what he so vehemently advised. Well, I want to do something. It sort of looked as though I was weakening. I feel this way. He will get--he will find out where Baldwin and Barry stand. If they should get word that Baldwin and Barry will vote for it, then there isn't much use talking about compromise. Is that right?

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MR. ACHESON: No, I wouldn't agree with that.

H.M.JR: Well, if, on the other hand, they are shaky, then I can go back to Mr. Spence and say, "I would like to sit down with you and talk to you." See? That is the way I feel, anyway.

MR. BERNSTEIN: Mr. Secretary, don't you think we owe it to Mr. Spence to bring him up to date on what has happened, anyway, so he will know what happened?

H.M.JR: I think you can weaken and worry him if he thinks we are doing all this negotiating. If you don't mind, I would like to wait--it will only be a matter of twenty-four or forty-eight hours--and see what they do with Baldwin and Barry. Has anybody asked Leo Crowley to take on Hull of Wisconsin?

MR. WHITE: Yes, he is being taken care of, Mr. Secretary. Did you see the letter that Patman sent him?

H.M.JR: No.

MR. LUXFORD: Harry, I have further information that Patman's man saw Hull and Hull is noncommittal. He has not said he would support it.

MR. WHITE: No, but Patman said he would see to it.

MR. LUXFORD: He has written the letter.

MR. WHITE: We haven't got them in our hand, but they are conscious of what we are wanting from them, and they are going to make every effort now. That doesn't mean they can deliver them, but--

H.M.JR: Would it do any good to call up Crowley and ask him to see Hull?

MR. WHITE: It would if Crowley knows Hull.

H.M.JR: Or knows somebody who knows him. Do you know Crowley well enough to call him?

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MR. WHITE: Oh, yes, if you want me to.

H.M.JR: I would just as lief call him up. I don't mind.

MR. LUXFORD: Mr. Secretary, there is one point I would like to mention. Even if you had Barry and Baldwin, you have not changed this from a straight Republican-Democratic vote.

H.M.JR: I am just going to sit tight now until I hear from Spence. I cannot go back to Spence. I mean, he is up there, and if he would know how worried you are, or if I were as worried as you are, then he would begin to worry. Now he is very confident. I think it would be a great mistake to do anything to break down his morale. Let's see what he does with this thing. But I think if Acheson has the time--if you can talk for another half hour and let Acheson express himself on some of these amendments, and if he has the time--

MR. ACHESON: I can do it later on today. I have to be back over there at twelve o'clock.

H.M.JR: You can talk to them later in Mr. Bell's office?

MR. ACHESON: Yes.

I would like to give you a little information about Baldwin which I haven't given some of the people here. Baldwin comes from Baltimore County in Maryland where he was President of the Board of Commissioners. He was a big shot and ran the county. He was elected to Congress, but nobody paid any attention to him, so he is very bitter. He has discovered that the way to get along here is to try to imitate Millard Tydings and be against the Administration. It seems that those who go along don't get anywhere, but those who throw rocks do. He has become very bitter. Now, the man who is closest to him and whom he also fears is the State Senator and President of the Senate in Maryland who comes from his own county and is his potential opponent in the primary, Mr. Lindsey. I have arranged to have

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Mr. Lindsey talk to him and tell him it is all right to oppose the Administration on some things, but not on this; and if he does oppose it on this, Mr. Lindsey will have to consider that he will have to go into the primary and try to get real representation from Baltimore County. That, I think, may have some effect, but I don't know.

H.M.JR: I don't know anything that would be more effective. (Laughter)

MR. ACHESON: Howard Bruce is a man who has very great influence, because Howard Bruce lives in his Congressional District and contributes to the Democratic campaign fund in that District. Mr. Bruce has been here in Washington, and I have been trying to see him. And if anybody here who knows him would see him, it might have some effect.

H.M.JR: Both are most useful and practical suggestions. We are getting right down to the methods that count. How is that?

MR. ACHESON: All right.

H.M.JR: I think that the paper that is published in Madison, Wisconsin, is not friendly to Crowley. It is an independent paper.

MR. GASTON: Mr. Evjue's paper--LaFollette's paper, the Capital Times.

H.M.JR: I wonder if anybody has tackled him.

MR. WHITE: I know of some connections.

H.M.JR: If that newspaper could be reached--

MR. WHITE: They are friendly to Bretton Woods.

H.M.JR: And unfriendly to Crowley, so you can't ask Crowley to go to them.

MR. WHITE: No, I know of some other connections.

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H.M.JR: That paper has great influence. It is a darn good paper.

MR. WHITE: They have come out for Bretton Woods.

H.M.JR: If they could go to work on Mr. Hull--

MR. WHITE: I will find out.

H.M.JR: Well, as I say, if you people will pardon me, and if you don't mind adjourning to Mr. Bell's office to go over these things, then maybe at least you could agree on one or two things.

MR. WHITE: There are a number of them we could agree on.

H.M.JR: See which of those you could agree on, and I could study those.

MR. BELL: It seems to me the Treasury should get together on what they can do and also get together with Ned Brown when he comes in tomorrow.

H.M.JR: He will be here tomorrow, but if Acheson gives us as much time as he can, we can see which of these things he likes and which he doesn't. I don't think you are going to get these two wings of the Treasury together.

MR. BELL: I don't think so, either.

H.M.JR: Which amuses me very much.

MR. BELL: They are not going to be in my office until they get together.

MR. WHITE: The best of friends will split on some rocks.

Secret - Revised

April 17, 1945

Possible Changes in H. R. 2211

1. Section 3: Section 3 is amended to read as follows:

Sec. 3. (a) [The United States shall be represented on the Fund and Bank by one person serving as governor and another as executive director of both institutions.] The President, by and with the advice and consent of the Senate, shall appoint [a] one governor and one executive director to represent the United States on both the Fund and the Bank. The executive director so appointed shall also serve as provisional executive director of both institutions for the purposes of the respective Articles of Agreement. The term of office for the governor shall be five years and for the executive director two years [.] [An] but the executive director shall remain in office [, however,] until a successor has been appointed.

(b) The President, by and with the advice and consent of the Senate, shall appoint [an alternate for each of the positions specified in subsection (a) of this section who shall serve for the same term as his principal; provided: (1) alternates for the positions of governor and executive director of the Fund and Bank respectively need not be the

- 2 -

same person and (11) any alternate for an executive director shall be selected by the President from names recommended to him by the executive director] one or two alternates for the governor and one or two alternates for the executive director. Alternates for the executive director shall be selected by the President from names recommended to him by the executive director.

(c) No person shall be entitled to receive any salary or other compensation from the United States for services as a governor, executive director, or alternate.

2. Section 4: Section 4 is amended to read as follows:

"INTERNATIONAL MONETARY AND FINANCIAL
COUNCIL AND REPORTS"

Sec. 4. (a) There is hereby established the International Monetary and Financial Council (hereinafter referred to as the Council), consisting of the Secretary of the Treasury, as Chairman, the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System [.] and the Foreign Economic Administrator [and a president of a Federal Reserve Bank selected by the Open Market Committee of the Federal Reserve System]. The Council shall act under the general direction of the President and in accordance with such policies as the Congress may prescribe from time to time.

- 3 -

(b) The United States governor and executive director of the Fund and Bank and their alternates shall keep the Council fully informed of their activities and shall act in a manner consistent with general policies established by the Council. Except as otherwise provided in section 5 of this Act, the Council is hereby authorized, through the governor and executive director to give or refuse the approval, consent, or agreement of the United States whenever, under the Articles of Agreement of the Fund or the Bank, such approval, consent or agreement of the United States is required before any act may be done by the Fund or the Bank, respectively. No governor or executive director representing the United States shall, without prior consultation with the Council, vote in favor of any waiver of conditions under Article V, section 4 or in favor of any declaration of the United States dollar as a scarce currency under article VII, section 3, of the Articles of Agreement of the Fund [or on any other major question of policy before the Fund or Bank without prior consultation with the Council].

(c) The Council and the United States Governor and their alternates are directed:

(i) To exercise their full powers and influence to secure coordinated policies on the part of the Fund and the Bank and the highest degree of cooperation and collaboration

- 4 -

at every point between their respective managements in carrying out the purposes of the Fund and Bank.

(ii) To exercise their full powers and influence to see that the Fund is used only where it can appropriately be used for current stabilization operations and that the Bank is used only where it can appropriately be used for reconstruction and development projects and for programs of economic and monetary reconstruction which may include long-term stabilization loans.

(iii) To exercise their full powers and influence to [stimulate] develop the basic economic conditions essential to sound prosperity, to a growing and balanced international trade and to the establishment and maintenance of stable and orderly exchange arrangements [among members]; to encourage the Fund to communicate its views to members on economic and monetary conditions and developments which would tend to disturb stable and orderly exchange arrangements; to eliminate as soon as conditions permit all forms of restrictive and discriminatory currency arrangements among members; and to facilitate and encourage in other ways the elimination of discriminatory trade arrangements that hamper world trade and other forms of economic warfare that disturb harmonious international economic relations.

- 5 -

(iv) To exercise their full powers and influence to assure the constructive use of the resources of the Fund and the Bank and to see that they are not used in a manner that imperils the financial integrity of either institution; to see that the Fund does not [begin] undertake or continue exchange transactions with any member while its basic economic conditions are such as would lead to use of the Fund's resources on a scale prejudicial to the Fund to sustain an untenable exchange rate [and further, to see that the Fund does not continue exchange transactions with any member after its basic economic conditions are such as would lead to use of the Fund's resources to sustain an untenable exchange rate and thus defeat the purposes of the Fund and be prejudicial to the Fund and its members].

(v) To exercise their full powers and influence to prevent the use of the Fund and the Bank, [directly or indirectly,] for relief or [reconstruction or] for indebtedness arising out of the war; to see that the resources of the Fund are used only [by countries that can appropriately use such resources] to promote exchange stability, to maintain orderly exchange arrangements, and to avoid competitive exchange depreciation; to see that the Fund is kept informed of the necessary corrective measures that are being taken by members

- 6 -

that use the resources of the Fund; to limit the use of the resources of the Fund to meeting seasonal, cyclical and emergency needs for foreign exchange for current stabilization purposes [;] [to have other reasonable needs for foreign exchange for long-term stabilization purposes considered by the Bank].

(vi) To exercise their full powers and influence to see that when a general scarcity of a currency is developing the report issued by the Fund shall set forth fully the causes of the scarcity and shall contain recommendations designed to bring it to an end; to see that the report recognizes fully the common responsibility of the countries whose holdings of the currency are scarce and of the country whose currency is scarce, and that the recommendations are made not only to the country whose currency is scarce but to the country whose holdings of the currency are scarce; to see that prompt corrective measures are taken so that the scarcity of any currency can be terminated as soon as possible, that the limitations on the transactions in a scarce currency are no more restrictive than is necessary, and that they are relaxed and removed as rapidly as conditions permit; and to see that the right of members whose currency is scarce to make representations on the administration of restrictions

- 7 -

on exchange transactions in a scarce currency is fully safeguarded.

(vii) To transmit to the President and the Congress a quarterly report [in detail] on the work of the Council, the operations and policies of the Fund and the Bank, and the [activities] action of the United States governor and executive director and their alternates. [The report shall include a full statement with respect to the degree to which the Fund and the Bank conform with the provisions of this Act.]

(viii) To transmit to the Congress not later than two years after the (date of enactment of this Act) establishment of the Fund and Bank a special report on the operations and policies of the Fund and the Bank, the extent to which they have achieved the purposes for which they are established, recommendations as to how the Fund and the Bank may be made more effective, [recommendations on whether the Fund and the Bank should be merged into one institution, recommendations on whether the resources of the Fund or the Bank should be increased or decreased, recommendations on whether the United States should continue membership in either

- 8 -

the Fund or the Bank or in both,] and recommendations on any other necessary or desirable changes in the Articles of Agreement for the Fund and the Bank or in this Act.

(d) The Council, with the approval of the President, is also directed to coordinate the activities of all departments and agencies of the United States relating to international monetary and financial matters to the end that the policies of the United States in these fields should be integrated and uniform."

3. Section 9: Section 9 is amended to read as follows:

OBTAINING AND FURNISHING INFORMATION

"Sec. 9. So long as the United States is a member of the Fund, the President may require at any time, in the manner and under the penalties provided in Section 5(b) of the Trading with the enemy Act (U.S.C. title 50, App. Sec. 5), as amended, the furnishing of any data that may be requested by the Fund under Article 8, Section 5, of the Articles of Agreement of the Fund."

4. New Section: Add the following section:

"STABILIZATION LOANS BY THE BANK"

"Sec. 13. If the management of the Bank does not interpret its powers under the Articles of Agreement as

- 9 -

authorizing the Bank to make or guarantee [long-term] loans for programs of economic and monetary [for economic and financial] reconstruction which may include long-term stabilization loans [in connection with a comprehensive stabilization program], the governor and executive director of the Bank appointed by the United States are hereby directed to propose and support an amendment to the Articles of Agreement for the purpose of explicitly authorizing the Bank, after consultation with the Fund, to make or guarantee such loans. The Council is hereby authorized and directed to accept such amendment on behalf of the United States."

5. New Section: Add the following section:

"WITHDRAWAL"

"Sec. 14. The United States Government expressly reserves the right to withdraw from either the Fund or the Bank, or both, at any time in accordance with the provisions of Article IV, section 1 of the Articles of Agreement of the Fund and Article VI, section 1 of the Articles of Agreement of the Bank. Notice is hereby given that the acceptance of membership in the Fund and Bank shall not be deemed in any way to morally or legally bind the United States to continue such membership if (a) in the opinion of the Government of the United States the policies of

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either the Fund or Bank are not in accord with the letter or the spirit of the respective Articles of Agreement or the provisions of this Act or (b) if for any other reason the Government of the United States determines it to be in the interest of the United States to withdraw."

Confidential -

*Copies to: White
Barton
Dan Bell
Sam Lynch
Ludford*

50

CONFIDENTIAL

April 13, 1945 ✓
3:36 P. M.

51

Operator: Go ahead.

HMJr: Hello.

Congressman Spence: Hello, Mr. Secretary?

HMJr: Talking.

S: This is Brent Spence.

HMJr: Hello.

S: I went over and had a talk with the Speaker.

HMJr: Yes.

S: And I've decided that I'm going to -----

HMJr: Hello?

S: I've decided I'm going to attempt to get Berry myself. I'm going to send for him and tell him how much it means to the administration.

HMJr: I see.

S: He's the key man, and if he goes with us that not only I will be grateful, but you'll be grateful, and the administration will be grateful, and we hope that he will go along with us.

HMJr: Well, I think that is most ---

S: I'm going to do that and send for him.

HMJr: What are you going to do it?

S: I'm going to do it when he comes back. He's in New York now.

HMJr: Oh.

S: When he comes back I'm going to send for him and have a talk with him.

HMJr: Fine.

S: And tell him that I'm going to tell you what he did, and that I'm going to tell the administration what he did, and tell everybody down there --

- 3 -

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HMJr: Yeah.

S: And we'll tell everybody down there what he's done. We'll give him full credit for everything. And I think we can get him.

HMJr: Now ---

S: Sam said, "How about you doing it?" "Well," I said, "I'll do it. I'm perfectly willing to do it." And I will do it, and I'm going to tell him it means a lot to me as Chairman, and that I've been his friend -- and I have been his friend --

HMJr: Yeah.

S: ... and I want him to go along with us. Maybe we can get him that way, and if we do why then we've got them whipped. That's 14 to 13.

HMJr: Well, that will be wonderful! They've put an awful lot of pressure on him.

S: Well, I know they have, and I'm afraid he thinks that some of these things that have been said may have come from the committee. I never have said anything where he was. When they come and ask me I say I don't know where he is.

HMJr: Yeah.

S: But you know Pearson said he was wrong, and some of the other people have said he was wrong.

HMJr: Yeah.

S: They gathered it all from the questions he asked in there.

HMJr: Yeah.

S: Well, as soon as he comes back I'll send for him and I'll let you know how he is.

HMJr: Will you do that?

S: And I don't care what they do. I'll tell you -- if we can report that bill out even with amendments on it, we'll take them out in the House, in my opinion.

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HMJr: Yeah.

S: So -- now, nothing can be done. They are going to have the joint session on Monday, and then -- I don't know whether anything can be done next week. This appropriation bill comes up -- well, maybe we can have a hearing starting Tuesday or Wednesday. I'd like to get through with the thing.

HMJr: Yeah. Well, I'm confident that if anybody can do it, you can.

S: Well, I'm going to call him. I'm going to ask and make an engagement with him to come to see me when he comes back to Washington. And I'm going to use every effort I can to get him to go along with us.

HMJr: Well, my money is on you.

S: Well, I know how to tend with these Irish, -- I lived with them.

HMJr: I see (laughs)

S: (Laughs)

HMJr: I bet you do. Thank you.

S: All right. Goodbye.

HMJr: Bye.

April 13, 1945
3:51 P. M.

HMJr: Hello.

Operator: Go ahead.

Secretary Forrestal: Henry?

HMJr: Yes.

F: Do you know whether the family -- I assume, of course, that you are going up to Hyde Park. I wonder if you know whether they want the rest of us to go?

HMJr: Well, Jim, this is all I know. Mrs. Roosevelt spoke to me, see?

F: Yeah.

HMJr: And then I inquired about reservations, and the answer I got back was that there were reservations for the whole Cabinet.

F: I see.

HMJr: But I'm going over in a little while to see Anna.

F: Yeah.

HMJr: And I will ask her, and tell her that I think that if they want the Cabinet to go they should tell us.

F: Yeah.

HMJr: And when I get back, I'll give you a ring.

F: Thank you very much, Henry.

HMJr: I'll be glad to.

F: Right.

CONFIDENTIAL

April 13, 1945
4:07 P. M.

HMJr: Hello.

Operator: Mr. Crowley.

HMJr: Hello.

Mr. Leo Crowley: Hello, Henry.

HMJr: How are you?

C: Pretty well.

HMJr: Leo, one of the Congressmen on this Banking and Currency is Congressman Hull from your state.

C: Yeah.

HMJr: We don't know where he stands on Bretton Woods. Have you any friends in Wisconsin that could---

C: Well, I'll go up and find out for you myself.

HMJr: Would you?

C: You know what he is, Henry.

HMJr: He's a progressive.

C: He's a progressive, and he's a kind of isolationist, but I'll go up there and find out for you. I'll get all the dope, and we'll know at least what he is thinking.

HMJr: Yeah. We need one vote.

C: I'll go up there and see him and I'll find out. After the President gets in tomorrow morning, I'll go up and see him.

HMJr: Well, when it is convenient.

C: Any time within the next couple of days will be all right then?

HMJr: Oh, definitely.

C: All right, I'd be glad to do it, Henry.

HMJr: I'd appreciate it, and you would know back in Wisconsin if he is shaky who --

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C: That's right.

HMJr: Who could put a little pressure on.

C: Well, he's the --- we can get Patton's Farmer's Union after him a little bit because he comes from an area...

HMJr: I think they already are.

C: Well, fine, but let me go up and find out what he's --

HMJr: If I'm not mistaken I think Patton has called on him himself, I believe.

C: He's got a lot of those Farmer's Union fellows in that area. He comes from way up north, you know.

HMJr: Well --

C: Where they have those small farms --

HMJr: Oh, yes.

C: ... and it is poorly ---

HMJr: Oh, yes. Well, Patton is already after him and so are the independent banker's group.

C: Fine. You know, Henry, while you are on the phone-- I said to someone this morning --

HMJr: Yeah.

C: That at the Cabinet meeting the last time --

HMJr: Yeah.

C: When the President was talking I was watching you look at him--

HMJr: Yeah.

C: And I came to the conclusion that day that you were watching him, and the thought was going through your mind how badly he looked that day.

HMJr: Yes.

C: Because I could tell by the way you were looking at him there.

- 3 -

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HMJr: Well, I guess I must wear my heart on my sleeve.

C: Well, you certainly did that day because you had that expression on your face.

HMJr: Well, I was worried. You know, sometimes he would lean back and he couldn't get back up again.

C: Yeah, I noticed you watching him on that a couple of times. And another time he kind of leaned over on table, do you remember?

HMJr: Yeah.

C: And I don't think anyone noticed that outside of yourself.

HMJr: But several times there he didn't seem to be quite in balance.

C: That's right, Henry, that's right.

HMJr: It was worrying me terribly.

C: I'll do what I can.

HMJr: Thank you. Goodbye.

April 13, 1945
4:14 P.M. ✓

HMJr: Hello. 58
Operator: Mr. Gamble. Go ahead.
Mr. Ted Gamble: Hello.
HMJr: I didn't know you were back, Ted.
G: Yes, Mr. Secretary.
HMJr: I wish you had told me.
G: I came in this morning.
HMJr: Oh.
G: And I called Fitz and told ---
HMJr: Just a little stuff, but I just happened to be signing.....
G: Yes.
HMJr:one of these very elaborate citations for Warren Sles..
G: Yes.
HMJr: Reginald Cumberland. Now that's the kind-- the same kind of thing that I give to Forrestal or somebody like that.
G: Well, this particular fellow has done an outstanding piece of work all throughout that district. And, in fact, he has just devoted his whole existence during the War Loans to this operation.
HMJr: You think.....
G: I think it merits it, yes.
HMJr: Both of them.
G: I fixed it myself.
HMJr: You did?
G: Yes.

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HMJr: Well, they are signed.
G: Fine.
HMJr: Now, I don't know when I'll get --- are you going to be in town tomorrow?
G: Yes, sir. I'm going to be here. I'll only be out of town one day in the next ten days. I'm going to Chicago on Monday.
HMJr: You'll be here tomorrow?
G: I'll be here tomorrow.
HMJr: Well, we'll get together sometime.
G: Yes. I have several things that I want to talk to you about, but I told Fitz this morning that I was in and didn't want to bother you - and just let him know I was here.
HMJr: I'm going to ask him why he didn't tell me.
G: Yes.
HMJr: Well, I'll ask --- well, I'll see you tomorrow.
G: All right, sir.
HMJr: Thank you.
G: Goodbye.

COPY

SEAL

EMBASSY OF THE
UNITED STATES OF AMERICA

Santiago, April 3, 1945

Dear Mr. Wallace:-

This morning I saw President Rios who was clearly delighted with your message. Clippings rather similar to the one I sent, could be sent almost weekly, for next to Roosevelt you are considered here the foremost exponent of the principles of the Good Neighbor and of democracy. One of the papers runs daily references to great events occurring on the same day in the past, and the other day, along with references to events in ancient Rome and in the Middle Ages, it refers to your speech to the 80,000 people here. I was utterly disgusted with certain elements in the Senate in the fight made on you which in my opinion enormously strengthened you with the liberals of the country and the world. The curse in America since the Civil War has been that all the reactionaries or conservatives are not in one party and all the liberals in the other. With the mixture that exists, the minority can too often cripple the party. The men who fought you from the South are all Hamiltonians. They would have been Federalists in the days of Jefferson and Whigs in the day of Jackson, and they are Democrats only in name and because of the repercussions of Reconstruction days. I have thought for years that the proper operation of the processes of democracy calls for a redivision of the parties along fundamental, elemental lines. There are indications that this is being brought about, and the fight on you has helped to make crystal clear just where we stand.

You are right about Cruz Coke. He is thoroughly democratic and he believes in political, and industrial democracy. It is amazing that he should be in the Conservative party which is distinctly reactionary--like the Tory in England and the Republican at home. But he was born into the party and his personal popularity makes him such a valuable asset to the party that they dare not throw him out, and he stays in in the hope, vain as I think, of reforming the party. He is the one man the Conservatives could elect President because he would cut right thru party lines, but the party would rather lose than win with him. He has the stature of a statesman and he is a thinker. That of course makes him unfashionable.

The details of my book on Spain would be rather embarrassing to some people in the State Department. I see the worst offender against democracy in Spain was cork-screwed into saying he is against Franco. Good God how vehemently he was for him when it counted. I cannot understand how he became what he is today officially. Just now the game is clear. England, Churchill, defender of Kings regardless of what kind, is scheming for the restoration of the pretender in Spain - for whom the Spanish people care not a damn. This is due in part to the fact that his mother is an English princess and in part to the fact that the old Tory nobility and aristocracy in England was ever chummy with the moribund nobility and aristocracy in Spain. Then, too, this element was always rather friendly with England and always hostile to us. If this war for democracy, costing millions in lives and billions in money is to come to a close with the grand gesture of restoring a Bourbon to the throne on the ruins of a democratic republic, even the alley cats will laugh their heads off. I understand that we are committed to elections to determine the will of peoples. I am sure Stalin will never stand for the king. I was there and I know that the monarchists including the King were

DEPARTMENT OF COMMERCE
OFFICE OF THE SECRETARY
WASHINGTON

April 13, 1945

MEMORANDUM FOR
SECRETARY ROSENTHAU

Dear Henry:

I thought you'd be interested in this copy of a letter I received from Claude Douers.

H.A.B.

1
COPY

check by Jowl with the fascists from Italy and the Nazis from Germany, in the common effort to end democracy in Spain. The pretender was sent to Italy to be brought up in the fascist philosophy. The old King died there, unseated, unhonored and unnamed. Franco, supported by the monarchists, gave all possible aid to our enemies throughout the war and the albas did not resign until Germany was on its knees and Italy was lost. Geischocken the leader of the Monarchist party who has also resigned within the last few days is one of the three monarchists who went to Rome and made the arrangements with Mussolini to send in an army and arms and money when the traitors were ready to strike at the republic. This is 1934.

All these facts will come out in time and since "we cannot escape history" I should hate to see my country entering into any kind of an agreement for the suppression of the democratic, republican aspirations of a brave and heroic people.

Warmest regards,

Sincerely,

/sgd/ CLAUDE C. HOWERS

Hon. Henry A. Wallace
Washington, D. C.

COPY



THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

April 13, 1945

TOP SECRET

MEMORANDUM FOR THE FILES

Lieutenant-Colonel John S. Wise of the Operations Division, War Department General Staff, came in this morning to show me a Top Secret message from Eisenhower marked "For Marshall's Eyes Only," in which it was stated that Colonel Bernstein and other officers had inspected the gold and art treasures captured in the salt mine in Germany. He said the treasure was about two thousand feet under the ground and it was estimated that there are approximately 225 to 250 tons of gold and about 2,000 boxes of art treasures. Officers attached to the Currency Section of G5 were also in on the problem and no doubt will take charge of the currency.

The whole seizure is being moved to Frankfurt, which is in the contemplated American zone, and will be under heavy guard. Eisenhower asks that this location be kept at very top secret.

Colonel Wise promised that, as additional information is received, he will keep me advised.

*Frankfurt a/m Main

sub



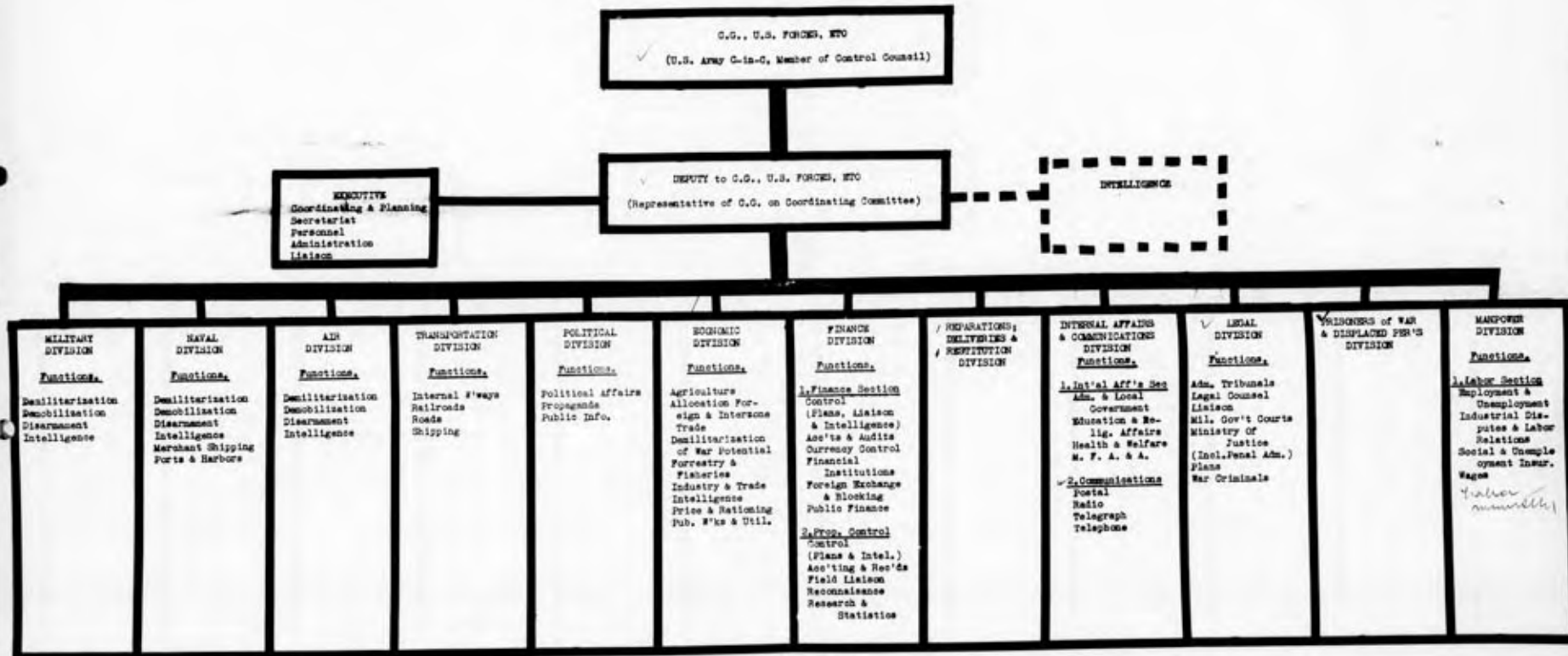
TOP SECRET

4-13

SECRET

CONTROL COUNCIL

U.S. Component
(INITIATIVE)



SECRET

SECRETOFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

13 April 1945

MEMORANDUM FOR SECRETARY MORGENTHAU

1. We have been making a study of German control in the countries they occupied together with the means employed against the Germans by the resistance groups in occupied territory. The purpose of this inquiry is to estimate the possible methods of control evasion that may be employed by the Germans against us.

We are conducting this study by means of interviews with resistance leaders of the various countries, examination of available records, and questionnaires sent to officials of the former Vichy Government thoroughly acquainted with German control procedure. Following are some conclusions which we have reached to date:

(a) German control in France was strictly military. The Armistice created Supreme Control Commission which was responsible to High Command. Under this commission originally were commissions for control of Army, Air, Navy, Industry, Repatriation. Under them were a myriad of sub-commissions,

SECRET

- 2 -

SECRET

detachments, etc. As time went on new commissions developed for press, radio, transportation, etc.

Throughout the occupation, France was considered to be in state of siege and therefore military could intervene directly at any time to enforce, impose or change laws. All laws were subject to instant change by so much as a simple note. Any order from the military had force of law immediately and urgently.

However, apart from occasional police measures, and isolated actions such as the sudden demobilization of the Armistice Army in November 1942, the German policy was to refrain from imposing authority directly. In government administration, military and economic affairs, the French were given directives or orders at the top, and execution was left to them. There was a highly organized system of inspection, and failure to execute instructions, when detected, brought prompt and severe punishment, but again, rarely by direct intervention, but rather through French channels.

The German system worked extremely well on short term basis; i.e., they obtained a maximum of collaboration expectable with minimum of effort. For their long term

SECRET

- 3 -

SECRET

planning, which counted on France as a permanent, willing, de-industrialized, agricultural partner in the new European order, the German method was well conceived and might have succeeded.

But in view of events as they materialized, mainly her failure to win unchallenged mastery of Europe, Germany's method of control must be considered a failure. It did not win over the French. It did permit the growth of highly developed and formidable resistance.

The fatal weakness of the system was its failure to have German officials either occupying key points of operational control or sharing these positions as opposite numbers to French officials, instead of being content merely with a policy of inspection. The French for a long time were able to prevent and delay the expropriation of railroad rolling stock simply because there were no German officials at posts of control in the administration of the railroads. Several of the most vital meetings of the top Maquis leaders were actually held in the Headquarters of 1 Prefect, with official transportation of the Prefecture taking the leaders to and from the meetings. A German general responsible for that Prefecture was located a few hundred yards away but because

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- 4 -

SECRET

he exercised no direct control, had no knowledge of what was taking place. Those are but 2 of thousands of examples.

(b) French evasion of occupational control was eminently successful, due in large part to errors of the system of control. The heart and brains of French resistance were made up of officers of French Army. First cardinal error of the Germans lay in permitting existence of Armistice Army of 100,000 in Metropolitan France and continuance of army of 110,000 in North Africa and the Middle East, and formation of para-military associations. Resistance inside France, although negative in character at the start, began immediately after Armistice. Because of faulty supervision French were able to conceal large quantities of arms and munitions during demobilization. Army vehicles by thousands took on new coats of paint overnight and ostensibly became property of municipal services or even private industry. Great caches of arms were formed. Armistice Army became elite organization while tens of thousands of demobilized key personnel of engineers, ordnance, communications, etc. went into civilian clothes and jobs but maintained organization and contact. Forty-thousand colonial troops were formed into work battalions but under demobilized cadres of their old MOU's and officers. The

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SECRET

Chantier De Jeunesse, Work Services, Services for the Maintenance of Order, and other youth organizations were formed and received all discipline and military training possible without arms. Regimental and other veterans associations were formed. The old statistical bureaus of Napoleon 3rd were reorganized and under this innocent guise became a recruiting system. In November 1942, the Armistice Army was dissolved. In 1943 the Germans began to crack down on all para-military organizations, and recruit membership for forced labor, but the harm already had been done and many of these groups went over as organized units to the Maquis. As resistance developed and became more active, these organizations were the manpower source for all forms of resistance from intelligence agents, to industrial saboteurs, to the secret army itself.

2. These comments are the unanimous conclusions of resistance leaders interviewed:

(a) No army or military organization of any sort should be permitted to remain in Germany. No youths, social or military, associations.

(b) German money should be outlawed at once and a new currency issued. This would facilitate prevention of

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- 6 -

SECRET

secret financing of resistance movements. This is considered a most important step. Leaders here agree no serious resistance movement is remotely possible without large scale financial aid. Maintenance even of Maquis was estimated at 500 Francs per man per month. Greatest nightmare of French resistance leaders toward end was that money might be changed.

(c) Immediate, complete census in Germany and issuance of new type identity card, possibly with secret serial number, first digit for example indicating first letter of name of holder, second number indicating province of origin, third number occupational category, etc. This system was started toward end in one vicinity in France, and put mortal fear in hearts resistance leaders, for it would have rendered making of false documents almost impossible, and would have paralyzed movement.

(d) Accept as principle from start that no German governing authority is to be trusted, no matter how friendly appearances may be. Have Allied representative as opposite number to German in every key point of administrative or economic control, with his countersignature necessary for any action, in some places create complete break in chain of command. As arbitrary example, have Allied office, without

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any German representation, at head of each Wehrkreis so that communications between central government and lower echelons would pass through exclusive Allied control.

(e) Hunt down German officers, obtain all promotion lists of last 10 years. Maintain strictest surveillance over them or even send them out of Germany.

(f) Requisition all forms of transportation, from railroads to vehicles, and place under control of Allied officers wearing side arms.

(g) Demobilize Army with all possible speed and make swiftest possible inventories of arms and materiel before they can be concealed.

(h) Maintain closest liaison between different spheres of Allied occupation and strive for uniformity of control laws. Line of Demarcation in France was bad mistake on part of Germans, resulting in migrations of people and material to most favored zone and considerable frustration of German aims, especially in requisitioning.

(i) Use iron fist in propaganda from start. Execute promptly and ruthlessly for falsified papers and give wide publicity to executions.

(j) Control Commissions should be well staffed.

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- 8 -

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(k) No communication should be permitted between regions in Germany during demobilization and disarmament.

G. Edward Buxton -
G. Edward Buxton
Acting Director

SECRET



OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

13 April 1945

SECRET⁷³

MEMORANDUM FOR SECRETARY MORGENTHAU

1. We have been making a study of German control in the countries they occupied together with the means employed against the Germans by the resistance groups in occupied territory. The purpose of this inquiry is to estimate the possible methods of control evasion that may be employed by the Germans against us.

We are conducting this study by means of interviews with resistance leaders of the various countries, examination of available records, and questionnaires sent to officials of the former Vichy Government thoroughly acquainted with German control procedure. Following are some conclusions which we have reached to date:

(a) German control in France was strictly military. The Armistice created Supreme Control Commission which was responsible to High Command. Under this commission originally were commissions for control of Army, Air, Navy, Industry, Repatriation. Under them were a myriad of sub-commissions,

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detachments, etc. As time went on new commissions developed for press, radio, transportation, etc.

Throughout the occupation, France was considered to be in state of siege and therefore military could intervene directly at any time to enforce, impose or change laws. All laws were subject to instant change by so much as a simple note. Any order from the military had force of law immediately and urgently.

However, apart from occasional police measures, and isolated actions such as the sudden demobilization of the Armistice Army in November 1942, the German policy was to refrain from imposing authority directly. In government administration, military and economic affairs, the French were given directives or orders at the top, and execution was left to them. There was a highly organized system of inspection, and failure to execute instructions, when detected, brought prompt and severe punishment, but again, rarely by direct intervention, but rather through French channels.

The German system worked extremely well on short term basis; i.e., they obtained a maximum of collaboration expectable with minimum of effort. For their long term

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planning, which counted on France as a permanent, willing, de-industrialized, agricultural partner in the new European order, the German method was well conceived and might have succeeded.

But in view of events as they materialized, mainly her failure to win unchallenged mastery of Europe, Germany's method of control must be considered a failure. It did not win over the French. It did permit the growth of highly developed and formidable resistance.

The fatal weakness of the system was its failure to have German officials either occupying key points of operational control or sharing these positions as opposite numbers to French officials, instead of being content merely with a policy of inspection. The French for a long time were able to prevent and delay the expropriation of railroad rolling stock simply because there were no German officials at posts of control in the administration of the railroads. Several of the most vital meetings of the top Maquis leaders were actually held in the Headquarters of 1 Prefect, with official transportation of the Prefecture taking the leaders to and from the meetings. A German general responsible for that Prefecture was located a few hundred yards away but because

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G. Edward Buxton
Acting Director

SECRET

RESTRICTED
OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

13 April 1945

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

My dear Mr. Secretary:

The attached copy of radiotelephone
message #292, dated 11 April 1945, may be of in-
terest to you.

It was received last night from our
representative in Berne.

Respectfully yours,

E. J. Putzell, Jr.
E. J. Putzell, Jr.
Lieut. (jg), USNR
Acting Executive
Officer

RESTRICTED

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Acting Executive
Officer

RESTRICTED

Form 0-10-44
(Rev. 1-1-44)OFFICE OF STRATEGIC SERVICES
OFFICIAL DISPATCH

DATE 11 April 1945

FROM Berno

TO DIRECTOR, OFFICE OF STRATEGIC SERVICES

DISTRIBUTION

(FOR ACTION)

(FOR INFORMATION)

1:02

PRIORITY

ROUTINE

DEFERRED

RECEIVED IN PLAIN TEXT

RESTRICTED

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GERMANY

1. The press this evening announces that, following the departure from Berlin of several foreign embassies and legations to places in southern Germany, a part of the Swiss Legation together with the Minister has been removed to Tegernsee in southern Bavaria. A part of the Swiss Legation personnel is remaining in Berlin.

It is interesting to note that the place selected is not really in the German redoubt, but on the outer fringes of it, and this rather leaves open the question as to whether a Swiss representative is being sent into the redoubt. However, Tegernsee is only about sixty miles from Bern, Tegernsee is the area flies.

2. The relatively quick surrender of the fortress of Koenigsberg is one of the most interesting developments of the past few days. The will to fight, even on the Russian front, is waning. One of the reasons for this is the disappearing threat for the families of the German generals and soldiers who give themselves up. With such a large part of Germany occupied, the families of many are now safely in Allied hands and beyond the reach of the Gestapo. Further, the soldiers know well that, except in the special cases of prominent military leaders, the Gestapo no longer has the time to run down and wreak revenge on individual families. Hence, one of the great deterrent weapons is slipping from the hands of the Nazis.

What is going on in the inner circle of the Nazi Party is still a mystery. We have lurid stories in the press from various Allied and neutral capitals. But there is as yet no evidence here that Hitler has left the Berlin area or that there has been any break in the inner Nazi ring. It is reported on reasonably good authority that Kaltenbrunner is gaining in power and is often seen with Hitler, who is supposed to have offered him Ribbentrop's job. Since it is hard to tell whether and where there is any German Office really functioning, it is unlikely that he will accept, even if the job were offered to him.

RESTRICTED

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 13, 1945

TO Secretary Morgenthau (For information)

FROM Mr. Coe *FC*

Subject: Gold sales in China.

In connection with your discussions with Dr. T.V. Soong on gold sales in China, you may be interested in the following new developments:

1. Sales of gold during March totalled more than 500,000 ounces or the equivalent of nearly \$18 million of gold.
2. The short gold position of the Chinese Government is now approximately 1.5 million ounces or the equivalent of more than \$50 million of gold.
3. The official selling price of gold has been raised from CN\$20,000 to CN\$35,000 per ounce, but the black market price for gold is about CN\$60,000.
4. The increase in the price of gold has resulted in a rise in the open market rate for U. S. currency which is now between CN\$700 and CN\$800 per US\$1 as compared with the official rate of CN\$20 to US\$1.

PRECISION

TRADE MARK

MICROSTAT

REG. U. S. PAT. OFF.

MICROFILM

ROLL NO.

12"

Assistant Secretary of the Treasury

Date, April 13, 1945

To: Secretary Morgenthau

Some of the information in this
memorandum may be new to you.

H.D.W.

*Enclosed
I thought you would
like to read this
- you can give it back
to me when you
are done.*

Mr. White
Room 3134

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 12, 1945

TO The Secretary

FROM Mr. White

Subject: Recent Developments on Bretton Woods.

1. Meeting with the bankers in New York. (You have Luxford's memo of April 5 and Bell's memo of April 6 on this.)
2. Senators Ball (R. Minn.), Wiley (R. Wisc.), Capehart (R. Ind.), and Aiken (R. Ver.), and Representatives Baldwin (R. N.Y.), Eismiller (D. Wisc.), Luther Johnson (D. Tex.), McCormack (D. Mass.), Patterson (D. Cal.), and Hook (D. Mich.) have signified their support.
3. Representative Baldwin (D. Md.) has written to Spence and the Baltimore Sun saying that he was disturbed over the newspaper reports that he was against Bretton Woods as this was untrue.
4. The American Economic Association poll of its entire membership of 1,800 has been completed and shows 90% for Bretton Woods. (The State Department is now going to have them polled on the Reciprocal Trade Agreements Act.)
5. There are shortly to be very favorable articles on Bretton Woods in the popular magazines - Life, Colliers, the American Magazine. These will be very widely read.
6. The following organizations have come out recently in support:
 - Board of Governors of the Federal Reserve System.
 - National Foreign Trade Council
 - National Council of American Importers
 - Chicago Exporters Club

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	National Cotton Council
	Advertisers' Club of New York
	Catholic Association for International
Peace	Congregational Churches - Council for
Social Action	United Christian Council for Democracy
	Americans United for World Organization
	Southern Council on International
Relations	Minnesota United Nations Committee
	Chicago Council on Foreign Relations
	Council of African Affairs
	Independent Voters of Illinois
	Economists of Duke University
	Economists of the University of North
Carolina	National Congress of the American Teachers'
Association	Parent Teacher's Association

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date

April 13, 1946

TO Secretary Morgenthau

FROM Mr. Lynch

For attention

Since our discussion of the subject this morning, I have learned that Senator Pepper plans to go forward with the hearings of the Senate Small Business Committee at which he wants you to appear April 18 to discuss post-war foreign trade prospects with emphasis on the relationship of the Bretton Woods proposals.

I was not able to reach Senator Pepper, but his assistants handling the hearings for him said they were certain that he wanted the hearings to go ahead as scheduled.

The theme of the hearings will be the importance to the small trader and the small businessman of foreign trade in the post-war period. The Senator believes that the hearings will offer an excellent forum for bringing out the significance of the Bretton Woods proposals in that direction. He understands that any appearance on your part would probably be a brief one and the discussion would be very general with the decision left to you as to the degree of elaboration upon the Bretton Woods proposals.

If you cannot appear on April 18, then I am sure the Senator will want to know the earliest alternative date for your appearance.

Mr. White and I would like to discuss this subject with you at your earliest convenience.

cc - Mr. White

J. Lynch

Secretary Morgenthau

April 13, 1945

Mr. Lynch

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cc - Mr. White

TJL:ims

TO: Secretary Morgenthau

FROM: E. P. Russell

SUBJECT: V-E Day statement

While you were away, the possibility arose that a sudden German collapse or surrender might call for an immediate statement from you.

The attached draft was prepared and approved by Mr. Gamble and Mr. Gorton, as available if necessity arose.

Mr. Gorton suggested, however, that a more thorough discussion, particularly on the inflation angle, will be called for, perhaps not on V-E Day, but shortly thereafter.

After this draft had been prepared, Mr. Byrnes put out and the OWI distributed a program covering radio broadcasts, press conferences, etc., for Government agencies in general. The Treasury does not specifically get into this program in Phase I (V-E Day and V-E Plus 1.) Under Phase II provision is made for you to elucidate "Civilian Duties" through a press conference or statement or both, and also to be prepared to go on the air on the same subject, in an hour's broadcast which will also include Messrs. Bowles, W. Davis, W. Johnson, W. Jones, Trug and Taylor "covering various aspects of war finance, prices and wages, rationing, and generally, the need for continued home front civilian cooperation."

May I direct your attention to these subjects:

1. The highlights of the V-E Day program will be broadcasts by the President and General Eisenhower. It would seem very desirable that the President's broadcast should include mention of the Seventh War Loan. I know of no way in which this matter could be broached to the President except by you.

2. If the attached draft for a V-E Day statement by you is satisfactory, I would appreciate approval; otherwise suggestions, as to the nature of revisions.

3. After a draft of an immediate V-E statement by you is o.k.'d, it would be my suggestion that Mr. Haas be asked to prepare a statement, or to suggest a line to be followed in press conference and/or broadcast, for a more thoroughgoing discussion of "Civilian Duties" along the line of continuing war expenditures, inflation control, etc., as outlined by the Byrnes memo for post-V-E Day (Phase II).

Every American rejoices in our victory over Germany.

We now turn the whole of our might against the enemy in the Pacific. Only when that enemy has been smashed into unconditional surrender may we think of resting from the tasks of war.

At home, another mobilization of America's "fighting dollars" -- the Seventh War Loan -- is just ahead. Victory over Germany has not lessened the Government's need for this loan by so much as a penny.

War expenditures during March were the greatest for any month of the war. There is every indication that a high level of expenditures will continue for many months. The necessity of meeting approximately half of these costs through the sale of bonds remains undiminished. There must, therefore, be no interruption with our plans for the Seventh War Loan. I feel confident that the American people, inspired by victory over the Nazis, will make the Seventh War Loan Drive an overwhelming success.

In Europe, proceeds of the Seventh War Loan will be needed to help meet the Army's maintenance and occupation expenses. In the Pacific, these proceeds will pay for redoubled assaults by which our air, sea and land forces will tighten the noose about Japan. In America, the dollars lent to the Government by its people, in addition to paying for continued production of vitally needed munitions, will provide well-earned aid to wounded and discharged veterans. And as our troops are brought home from Europe or are transferred to the Pacific theater, there will be exceptionally heavy expenditures for transportation and re-equipment.

A resounding public response to the Seventh War Loan will serve still other important purposes.

It will have the effect of dropping a vast tonnage of psychological block busters on Tokyo.

It will provide continued protection against the still-present danger of inflation.

In sheer self-interest, our battle against inflation must go on. Unstinted bond buying, plus stubborn resistance to any impulse to cash the bonds we already own, is our best anti-inflation insurance.

To surrender to inflationary influences or to lessen in any respect the support of our armed services would be to let down the men who still must fight.

The way to bring them home -- back to the happy, wholesome land they long to see -- is to buy more War Bonds.

April 13, 1945

My dear Mr. Prime Minister:

It was thoughtful and considerate of you to have sent us a telegram at this very sad time. I am afraid that it will be impossible to replace President Roosevelt, and I only hope that the war effort will not suffer too greatly.

I know how much the President thought of you, and he often spoke of you as one of his real friends.

With kind regards from Mrs. Morgenthau and myself, I remain

Very sincerely yours,

(Signed) Henry Morgenthau, Jr.

The Honorable W. L. McKenzie King,
The Prime Minister of Canada,
Ottawa, Canada.

Sir Mail

April 13, 1945

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Ottawa, Canada.

W. L. King

PRECISION

TRADE MARK

MICROSTAT

REG. U. S. PAT. OFF.

MICROFILM

ROLL NO.

12"

WU7 20 NL CNT OTTAWA ONT APR 12 1945

1945 APR 13 AM 8 22

THE HONORABLE HENRY MORGENTHAU JR

TREASURY DEPT

PLEASE ACCEPT THE EXPRESSION OF MY DEEPEST SYMPATHY FOR MRS
MORGENTHAU AND YOURSELF IN THE LOSS OF YOUR DEAR FRIEND

MACKENZIE KING

819 AM APR 13.

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EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

DATE April 13, 1948

TO Secretary Morgenthau
FROM William O'Dwyer

The War Refugee Board is now faced with the problem of arranging for financing for the fiscal year 1948. No request has been presented to Congress for an appropriation for the fiscal year 1948 in view of the uncertainty of the length of our existence.

It now appears that we shall be operating beyond June 30, 1948, at least for winding up purposes, and that funds will have to be available during the fiscal year 1948.

There are two methods by which we can obtain the necessary funds: (1) by requesting an appropriation on the last Deficiency Appropriation Bill which will go to Congress the last of May; or (2) by an allocation from the Emergency Fund for the President.

I feel that a request for an appropriation from Congress is inadvisable since it would raise publicly the question of the future course of the War Refugee Board, a question which we are not yet prepared to decide.

I feel strongly that we should attempt to obtain an allocation from the Emergency Fund for the President. We have been advised by Mr. Merrill of the Budget Bureau that Budget would be opposed to such an allocation. I would appreciate your help in pressing with Harold Smith, the Director of the Budget, for an allocation for the War Refugee Board from the President's Emergency Fund, at least for the balance of the calendar year 1948.

William O'Dwyer

April 13, 1945

TO:

The Secretary of the Treasury

Copies of paraphrased exchange of
telegrams with Ambassador Winant.

PARAPHRASE OF TELEGRAM SENT

TOP SECRET

TO: London

DATED: April 13, 1945, 11 p.m.

NUMBER: NIACT 2874

US URGENT

FOR WINANT FROM SECRETARY MORGENTHAU

Please inform the Chancellor of the Exchequer
if possible by nine o'clock Friday morning that the
New York Stock Exchange will be open as usual and
that Treasury is taking adequate steps to see that
nothing happens to the Government bond market.

STETTINIUS

CPD:ja
4/13/45

PARAPHRASE OF TELEGRAM RECEIVED

FROM: London
DATED: April 13, 1945, 9:00 a.m.
NUMBER: NIACT 3767

PERSONAL FOR THE SECRETARY OF THE TREASURY
FROM AMBASSADOR WINANT

Before 9 o'clock this morning we read your
message to me, NIACT 2874, April 12, to the
Chancellor of the Exchequer.

WINANT

OPD:ja
4/13/45

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington
DATED: April 13, 1945
NUMBER: 3767 (NIACT)

TOP SECRET

US URGENT

Ambassador Winant transmits the following message for the
personal attention of Mr. Morgenthau.

Before 9 o'clock this morning your message to me, NIACT
2874, dated April 12, was read to the Chancellor of the
Exchequer.

WINANT

DC/L:MAS:MEM

4/13/45

DEPARTMENT OF STATE
CENTRAL SERVICES
DIVISION OF COMMUNICATIONS AND RECORDS

April 13, 1945

Received of M. A. Shipley, (DC/L)
one envelope addressed to Hon. Henry
Morgenthau, Secretary of Treasury,
containing an envelope marked "TOP
SECRET" addressed to him.*

John A. Shipley

*Paraphrased copy of London's 3767,
of April 13, 1945.

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

101
DATE APR 13 1945

TO Secretary Morgenthau
FROM Miss Hodel
Re: Raoul Wallenberg

Prior to receiving your note, the Board, in conjunction with the State Department, sent a cable to the American Embassy in Moscow asking it to support the Swedish Legation in Moscow in its request to the Russian Government for assistance in determining the fate of Wallenberg. A copy of this cable is attached.

Upon receipt of your note, General O'Dwyer wrote the enclosed letter to Secretary Stettinius in which your personal interest in Mr. Wallenberg was indicated.

James Hodel

Attachments.

COPY

102

CABLE TO HARRIMAN, MOSCOW, FROM DEPARTMENT AND WAR REFUGEE BOARD

Reference is made to Stockholm's No. 14 of April 4 to you, repeated to the Department as No. 1211 of April 4.

Department and Board would appreciate your giving all possible support to the Swedish Legation in Moscow in its request to the Russian Government for assistance in determining the fate of Raoul Wallenberg, Attaché to the Swedish Legation in Budapest.

The War Refugee Board had special interest in Wallenberg's mission to Hungary because of his outstanding work in protecting Jews and other victims of enemy oppression during the enemy occupation of Hungary.

COPY

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April 12, 1945

My dear Mr. Secretary:

We have recently learned through the American Legation in Stockholm of the disappearance of Mr. Raoul Wallenberg, Special Attaché to the Swedish Legation in Budapest, and of the unconfirmed report that he has been murdered. We have requested the American Embassy in Moscow to support in every possible way the request of the Swedish Legation there for the assistance of the Russian Government in determining Mr. Wallenberg's fate. There are attached copies of the pertinent cables concerning his disappearance.

During the height of German occupation of Hungary when hundreds of thousands of Jews were in grave danger, Mr. Wallenberg undertook, at great personal risk, a special mission to Hungary. His services were available to the War Refugee Board through the Swedish Foreign Office, and as the result of his unrelenting efforts and ingenuity, thousands of Jews were protected and saved from Nazi persecution. We are sorely distressed over the news of his disappearance.

Secretary Morgenthau has asked me to tell you of his personal interest in Mr. Wallenberg. I would deeply appreciate your advising me of any information which the Department of State is able to obtain concerning Mr. Wallenberg's fate.

Very truly yours,

/s/ William C'Dwyer

William C'Dwyer
Executive Director

The Honorable,

The Secretary of State.

MEMORANDUM FOR THE SECRETARY.

April 13, 1945.

Mail Report

The day was not an hour old before telegrams began to pour in from widely scattered sections of the country, urging that the Seventh Drive be a memorial to President Roosevelt. Senders of the telegrams suggested that promotional material be re-designed for this purpose, and that, if possible, his picture appear on bonds offered during the Drive.

During the week, news of General Patton's capture of the Nazi gold hoard was made public, and immediately suggestions began to come in. Crediting it against our Lend-Lease expenses, depositing it in the world bank, or using it for reparation from Germany were among the proposals submitted. There were one or two anti-English communications urging that what the Americans found be devoted to cutting American expenses, rather than to aid the English.

So far as the Bretton Woods Agreement is concerned, more letters approve it than disapprove it, but the general tenor, of course, is still a quest for information rather than comment. There has been little allusion to the San Francisco Conference.

Tax correspondence was exceptionally light and uninteresting, with a few requests for refunds and a number of questions.

In the bond mail, emphasis was, of course, on the Seventh Drive, with many promotional ideas, and another report of a business firm that had already topped its quota. Only two bonds for redemption were received through this office, and complaints about delays in delivering bonds remained at the level of the past few weeks.

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Memorandum for the Secretary.

April 13, 1945.

From the standpoint of gifts, this was an especially profitable week. There were nine in all, three of them small, but the others much larger than usual -- one being a check for \$56,000.00

Y. S. Forchuck

General Comments

Mrs. Anna Grenlin, Grand Forks, North Dakota. I wrote Senator Langer, Washington, D. C., in regard to a Government check. * * * I have his letter at hand telling me to write to the Secretary of the Treasury. I have written there several times. I have a son 3 years in the front lines. Patton is his General, and he sent me \$30.00 every month for 2 years, and every check I put in my deposit box to save for him when he got home. So in August 1944 he got wounded in Italy and was sent to England. He sent home for some money. I went to my deposit box and took out a check dated June 1, 1943, for \$30.00. Went to the Post Office, they cashed it, got my Money Order for \$30.00 and sent it to my son. In 3 days the check came back and I had to make it good... which I did. On the back of the check it told me when to send it back, so I sent it in. That's over 8 months ago. I have written and written but I never got my money. Every time I wrote I got an answer from eight different places -- passing it from one to another. * * * Please give this your special attention as I am getting tired of waiting and writing in. Senator Langer requested that I write you and notify him when you make me my reply.

Henry J. Abrahams, Omaha, Nebraska. Enclosed herein please find Treasury checks, one dated February 1, 1945, in the amount of \$12.50, and the other dated March 1, 1945, in the amount of \$6.25. Even though we are advised that the War is progressing most favorably for the Allies, I still feel that it is a very good idea for us all to continue to lend our efforts toward a speedier conclusion of this world-wide conflict, and so I will ask that you please use the proceeds of these checks to buy whatever materials can be purchased, that will bring us victory quickly.

- 2 -

Joseph P. Marcelle, Collector of Internal Revenue, Brooklyn, New York. Your communication of April 2nd addressed to "Fellow Employees" on the matter of donating blood through the Red Cross will, I am sure, be quite helpful in accomplishing the purpose for which it was written. Perhaps you will be interested to know that, without advance notice about three weeks ago, the local Red Cross Unit phoned me explaining how urgently blood was needed. I immediately issued a call for volunteers and was pleased to have response from eighty-four of our employees within the following three hours. Thirty-six of our women employees and forty-eight of our men employees responded. Last Saturday, by previous appointment, one of the Red Cross speakers addressed the employees here in the main office and I am gratified to inform you that fifty-one additional volunteers responded. * * *

Mrs. Ethel Jamison Engel, New York City. Tonight I heard Representative Frederick C. Smith, of Marion, Ohio, make a speech in Columbus, discussing the Bretton Woods Agreement. Of all the distortions..the panic he seemed trying to instill in his audience.. it seems to me that the Treasury Department should get a copy of this speech and have someone answer it. Mr. Smith outdid the American Bankers Association.. in fact, I was astounded at the interpretation and the sinister implications he found for this effort at world money stabilization. Too many people hear that sort of stuff and nothing else, if their Press takes the same stand.

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Favorable Comments on Bonds

Preston E. Reed, Executive Vice President, Financial Advertisers Association, Chicago, Illinois. When a man does a splendid job, I want to give him credit, and I want you to know that Mr. Robert W. Coyns gave one of the best speeches on behalf of any War Loan Drive that I have ever had the privilege of hearing. He made it today before the Financial Advertisers Association here in Chicago and thrilled his audience. I just wanted you to know it.

- 4 -

Unfavorable Comments on Bonds

Senator Edwin C. Johnson (Colorado) forwards the following letter he has received from Frank E. Briber, Mining Engineer, Denver, Colorado: "I have just been confronted with conditions, the principle of which does aggravate me most decidedly, and I am certain that many fathers in the country are finding the same conditions and I believe have the same reaction. My son, Alex, who is a Private in the Infantry overseas, being in the European theatre, is the owner of a U. S. Government Savings Bond, which matured on April 1, 1945. My son before sailing overseas did, in accordance with instructions from the Army, submit to me his Power of Attorney to handle his business affairs. Having this Power of Attorney, I did take this bond of his to the bank in order to have it redeemed. There I was advised that the Power of Attorney did not apply to this Savings Bond. True enough, the face value of this bond is only \$25.00, and it is for this reason that I stated that it was the principle of the matter to which I take exception. When I was advised at the bank, they instructed me to call at the Redemption Office of the Federal Reserve Bank in Denver. This I did and I was there advised that they could not redeem these bonds under Power of Attorney, nor would they re-issue a new Series "E" Bond unless I had the letter of instructions and authorization from my son. As I advised them, my son had no secretary in the fox hole, and even as it is, he finds little time for writing, and in most instances has little paper for this purpose. This entire situation did aggravate me for I felt that this Power of Attorney as prepared by the Army must certainly have been prepared in connection with proper officials of the Treasury Department. Certainly the two Departments could and should have cooperated in the preparation of such a document in order to assist the boys who have been taken from the country. * * *

- 5 -

Bert Keorhum, Secretary-Treasurer, Muskegon Federal Savings and Loan Association, Muskegon, Michigan. The policy of this association is to buy issues of 5 years or less maturity, as near five years as possible, (plus Gs.). You will not permit us to buy these in the current offering. We must wait until after the Drive and then pay some banker a profit of some considerable amount. We don't like that. We hope the next Drive will permit us to fill our needs without payment of tribute to the commercial banker. We need that income as much as he does!

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Unfavorable Comments on Taxation

The following is a carbon copy of a letter addressed to Clarke Squire, Collector of Internal Revenue, Tacoma, Washington: "I regret that the Department's rulings are so arbitrary and apparently serving no good purpose except to make extra work for the Government and the taxpayer. It will result only in that my wife and I will stop buying tax notes and other Government securities. The purchase of tax notes by us was, as far as we were concerned, a service to our country as we actually paid the bank 4% and 5% interest on borrowed money. It seems so silly for us to have to go to the bank to cash tax notes in order to send you the money when you could accept the notes. Please return the tax note. Check for the amount of the tax is enclosed. You now compel me to go to the bank and pay 5% to borrow the money to wait for the Treasury Department to redeem our tax money which we let the Government have in advance. (Signed) Frederick W. Schmidt, Olympia, Washington."

Max Bruell, Woodmere, New York. On March 26, I took the liberty of making a few suggestions to you anent the very praiseworthy effort to stop tax evasions. In reply I received a letter of the Intelligence Unit dated March 31, also a duplicate -- the latter apparently enclosed by error. I hope you will not take it amiss if I point out respectfully that just as much as it is customary in business circles to always express a word of thanks for individual efforts to render services, it would be a good idea for the Treasury staff to adopt the same policy. * * *

12"

Bern

Dated April 13, 1945

Rec'd 6 p.m.

Secretary of State,

Washington.

2175, April 13, 2 p.m.

Burkhardt of ICRC called special meeting afternoon of April 13 concerning current possibilities evacuate "schutzhaftlinge" from German concentration camps. (FROM AMERICAN LEGATION'S INFO April 11) practically speaking after several weeks of ICRC negotiations with the Germans appear to be willing permit exit from Germany of only (only) civil detainees of French and Belgian nationality in exchange for smaller groups of German civilians now held by French and Belgians. Germans, however, do not insist that exchanges be on a head for head basis. These exchanges are to be limited as previously reported to women, children and elderly people (over 65) of both sexes. Within these national groups Germans do not seem to be discriminating against Jews since convoy of 300 French women (there were no children although this was originally announced) included 7 Jewish women.

Kaltenbrunner of SS informed Dr. Meyer, ICRC delegate who accompanied trucks which brought women from Ravensbrueck that ICRC could evacuate all remaining French women from this camp as soon as committee wanted. There seemed, however, to be only 300 more French women actually still in Ravensbrueck, whereas last fall (October) there were at least 3000. Apart from those who have died (certainly 50%) this leaves many hundreds unaccounted for who are probably in work companies detached from camp. There is no (repeat no) evidence although ICRC continues to negotiate for this that Germans will be willing allow evacuation of women who are being used as labor. In case not only of these French women but of civil detainees in general this probably constitutes majority still alive!

According to sober reports from these French women who passed through here from Ravensbrueck Nazis are purviewing in that camp (and one has every reason to believe this is true of other similar groups of "schutzhaftlinge") a policy of simply working detainees to death. When they are no longer able to work this human material is literally discarded.

-3- #2175, April 13, 2 p.m., from Bern

In light of this information ICRC is now making special effort to obtain immediately a few buses from Swiss army to supplement limited number of POW parcel trucks available for such evacuations. ICRC is also examining possibility of using blocked POW parcel train now at Moosburg for similar purpose. Committee has hopes that outside of French and Belgian detainees they may be able to get some of other nationalities on an "ad hoc" basis depending on attitude of individual camp commanders.

Will keep you informed.

HARRISON

JMS

DMS-1346

PLAIN

Lisbon

Dated April 13, 1945

Rec'd 4:48 p.m.

Secretary of State

Washington

777, Thirteenth.

RUB 380 JDC 215

FOR LEAVITT FROM THORE

Further our 367 Gottfarb cables: "American Red Cross who also has large stores packages for war-prisoners in Germany in Gothenburg. Believe they cannot be used for original purpose because of war situation. Couldn't New York try get part of them for us." Please advise soonest decision relative purchase stock of medical supplies in Stockholm.

CROCKER

RB

MS-1284

Distribution of true reading only by special arrangement. (SECRET W)

Bern

Dated April 13, 1945

Rec'd 1:58 p. m.

Secretary of State

Washington

2174, April 13, 1 p.m.

FOR CUMMINS OF RUB FROM MACLELLAND

It would be of greatest value to me if Board could obtain as soon as possible from our competent military authorities information concerning condition in which following concentration camps (in immediate line of advance of our armies) are found upon liberation: Bergen Belsen, Breiscelle (20 kilometers NW of Celle) Buchenwald midway between Erfurt and Weimar and Hamburg--Neugamme in environs of former city.

HARRISON

DU

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CABLE TO AMERICAN EMBASSY, LISBON, FROM THE WAR REFUGEE BOARD

Please deliver the following message to Martha Sharp from Dr.

Charles N. Joy of Unitarian Service Committee:

QUOTE 266 BEYOND CABLE TO SPITZER NAME SAUREN IS COMPLETELY UNKNOWN PLEASE IDENTIFY IF ALL COMMUNICATIONS ON COMMITTEE BUSINESS TO BRISTOL AIRBORNE IN AMERICA ARE DIRECTED TO UNITARIAN HEADQUARTERS REASSURING DELAYS WILL BE AVOIDABLE.

THIS IS WAR LIBRO CABLE NO. 170

4:15 p.m.
April 13, 1945

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CABLE TO WHANT, LONDON, FOR NAME FROM WAR REFUGEE BOARD

Reference Department's No. 1905 of March 12 (WAR No. 56).

Board would appreciate reply as soon as possible.

THIS IS WAR LONDON NO. 67

4:45 p.m.
April 13, 1945

12

CABLE TO AMERICAN LEGATION, BERN, FOR MOELLERLAND, FROM THE WAR REFUGEE BOARD

Please deliver the following message to Gerhard Riegner, 37 Quai Wilson, Geneva, from Kurt Grossman of World Jewish Congress:

QUOTE PLEASE FIND OUT WHEREABOUTS VALERIE WEISS (NEE FUCHS) BORN NOVEMBER 19, 1902 MARRIED: FRANTISKA TRACH (NEE POLLAK) BORN SEPTEMBER 17, 1898 ADDRESS: REAR WEN WHO MIGHT HAVE BEEN IN THURSBURG. PLEASE CONTACT ABOUT THIS CASE LUDWIG KROH, ZURICH, HOTEL MIDTOW, 101 UNIVERSITY STREET. UNQUOTE

THIS IS WITH BERN CABLE NO. 499

4:15 p.m.
April 13, 1945

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CABLE TO AMERICAN LEGATION, BERN, FOR MOELLERLAND, FROM WAR REFUGEE BOARD

Please deliver the following message to Saly Mayer, St. Gall, from M. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE HILFSTUECKEN FÜR JÜDISCHE LERNBESUCHER STANIA ZURICH GROUP HERE DESIRE RAISE FUNDS FOR THIS HOSPITAL AND REQUESTED- WE ADVANCE THEM FOUR TO FIVE THOUSAND DOLLARS FUNDING THEIR COLLECTIONS. PLEASE CABLE US STATUS THIS INSTITUTION, BUDGETARY REQUIREMENTS AND WHETHER ADVISABLE WE MAKE SUCH ADVANCE. UNQUOTE

THIS IS WITH BERN CABLE NO. 498

4:15 p.m.
April 13, 1945

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OPTEL No. 118

Information received up to 10 a.m., 13th April, 1945.

1. HOME WATERS. 11th. One of H.M. Frigates destroyed two explosive motor boats off Walcheren. She also captured two German naval ratings from sailing vessel off Dunkirk.

12th. Aircraft of Coastal Command carried out numerous attacks on midgets off Dutch Coast and five sunk. 13th. Some E-boat activity off East Coast.

2. ANTI-SUBMARINE OPERATIONS. 12th. 8th Escort Group sank U-boat in Irish Sea and took 38 prisoners.

3. ENEMY ATTACK ON SHIPPING. 12th. A 7200 U.S. ship torpedoed by U-boat in Irish Sea has reached Holyhead.

4. WESTERN FRONT. Southern Sector: 1st French Army gained up to 5 miles south of Karlsruhe. 7th U.S. Army evacuated Crailsheim but made slight gains N.E. of town. Schweinfurt and Heilbrunn captured. Central Sector: 3rd U.S. Army armour advanced along Dresden Autobahn to point just south Jena, and now half way between Erfurt and Leipzig. 1st U.S. Army armour also within 40 miles Leipzig and Nordhausen taken. In Ruhr pocket, troops of 1st and 9th U.S. Armies advanced between 2 and 7 miles and captured Essen. 9th U.S. Army armour have reached neighbourhood Magdeburg. Northern Sector: 2nd British Army occupied Celle, and secured several bridgeheads across River Aller, north of Celle. Good progress made towards eliminating enemy salient north of Osnabruck. 1st Canadian Army made further advances into N.E. Holland and finding little resistance east of River Issel. 3rd Canadian Division attacked across that river on 11th and made good progress west towards Apeldoorn against moderate resistance.

5. EASTERN FRONT. Russians made steady progress N.E. Vienna and cut main Vienna-Bruno Highway at one point. In Vienna, Russian attacks from South and West have pressed enemy back almost to line of River Danube. Other slight advances made in S.E. Austria.

6. ITALY. 8th Army within 6 miles Argenta by assaulting across Lake Comacchio. Further south bridgeheads already gained over River Santerno, N.E. of Imola considerably extended and Castel Bolognese (5 miles S.E. along highway 9) captured. 5th U.S. Army has captured Ferrara and advanced 2 miles to N.W.

7. BURMA. 9th to 11th. In Meiktila area our troops accounted for over 2000 Japanese killed in these operations. 11th. Our troops captured Pyawbwe. Leading troops now in contact with enemy 2 miles south of Yamethin.

8. WESTERN FRONT. 11th/12th (night). 113 Bomber Command Mosquitoes despatched (1 missing); Berlin 105 (3 attacks) and Munich 8. Weather clear and bombing concentrated. 12th. SHAEF (Air). 203 medium bombers (3 missing) attacked rail and other targets. 2547 fighters and fighter bombers (16 missing) operated over battle areas. Over 1600 road and rail vehicles destroyed, mainly in Central Sector. Enemy casualties 11,15 in combat and 177,2147 on ground (mainly Leipzig/Bayreuth areas). 940 U.S. aircraft carried 1483 tons petrol and 910 tons other supplies. 1922 casualties and 2195 P.W. evacuated. 12th/13th (night). 120 Bomber Command Mosquitoes despatched (all back). 97 attacked Berlin (3 attacks).

9. MEDITERRANEAN. 10th/11th (night). Liberators attacked Innsbruck Railway Centre (133 tons). 11th. 549 escorted heavies (10 missing) attacked 5 railway bridges (generally unobserved), 2 railway centres (good results) and 2 industrial targets in North Italy (total 1168 tons). 351 Mitchells, 95 Marauders and 997 fighters and fighter bombers (3 missing) attacked similar targets and operated in close support of our troops. 40 escorted Lightnings (2 missing) attacked railway stations in the Adriatic. Bridge over the Danube at Lug. Slavia destroyed. 124 escorted heavy bombers also participated.

April 14, 1945
12:25 P.M.

121

HMJr: Hello.
Operator: Feltus.
HMJr: Feltus?
Mr. Feltus: Yes, sir.
HMJr: I don't think I can see you. When are you leaving?
F: Well, I think I had better stay over for the week-end. I think --- I've decided not to go back this week-end.
HMJr: Oh, why is there.....
F: Well, I think there is enough going on around town here that ---
HMJr: Well....
F:everyone ought to be on hand.
HMJr: Yeah. Well, I'll be available either -- I'll be back Sunday night, but I can see you -- did you get the note I wrote you?
F: Yes, I did.
HMJr: Well ---
F: I'm delighted that you agree on that.
HMJr: I just wanted to let you know that I was pleased with what you are doing.
F: Yes.
HMJr: I just don't think I can do much of anything today, so..
F: Ahuh. Well, if you should need me, I will...
HMJr: I tell you what you do - tell White or Luxford to show you the conversations I had yesterday with Spence and with Leo Crowley.
F: I see.
HMJr: Will you do that?
F: Yes, I will.

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HMJr: They are very enlightening.
F: All right.
HMJr: Spence and Leo Crowley.
F: Good. If you need me at all, I will be --- the operator will know where I am; I think I will be at the Statler.
HMJr: All right.
F: But the operator will know.
HMJr: That's right, thank you.
F: All right, sir.
HMJr: Bye.

Treasury Department
Division of Monetary Research

Date April 61, 1945

To: Mr. Luxford
FROM: E. W. Bernstein

After you have read this, would
you return it to D.W. Bell?

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April 14, 1945
2:30 p.m.

BRETTON WOODS

Present: Mr. D. W. Bell
Mr. Gaston
Mr. White
Mr. Ned Brown
Mrs. Klotz

H.M.JR: Well, I got your message that you are going
to be here a couple of days. Is that right?

MR. BROWN: Yes, I am going to be here until Thursday
afternoon.

H.M.JR: Is that CED? Is that what it is?

MR. BROWN: It is this Business Advisory Council at
the Commerce Department. It pointed to CED, and they started
it on its way.

H.M.JR: I didn't know that. That is the best thing
the CED ever did.

MR. BELL: The best thing the Bankers Committee ever
did. It is Davis who is here in the CED.

H.M.JR: Well, Ned, in order to make life easier for
me and you, would you give me your advice as to what you
think we should do with regard to legislation pending on
the Hill and also in connection with--does this bother you?

MR. BROWN: No.

H.M.JR: ...ABA. I mean, I told Bell I didn't want a
discussion. I want your advice, see. We may discuss it
afterwards, but I want to know what you think.

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MR. BROWN: I want to preface my remarks with the fact that except for one five-hour discussion I had with Burgess at Dan Bell's suggestion--

H.M.JR: That was my suggestion.

MR. BROWN: Your suggestion? Well, Danny called me up.

H.M.JR: For good or bad, I told Dan to call you.

MR. BROWN: And subsequently there were some discussions between Bell, Luxford, and Bernstein with Burgess and others in New York, and I know the reports of those only second-hand which I got today from Bell and Luxford and Bernstein.

I have deliberately not talked with Burgess or any of the New York bankers since my first discussion, because I didn't want to cross any wires, and I had no idea of how the discussions were developing or how they were going. I have gotten some gossip back as to what was going on on their side. How accurate that part of the discussion is, I don't know. That is a prologue. I'll state my conclusions and then I'll be glad to be cross-examined afterwards as to my reasons.

H.M.JR: Please do.

MR. BROWN: Number one, I think it is obvious that nothing should be conceded which means that we have to go back to the other countries either in the way of a new conference, an inquiry, or an acquiescence in our reservations.

Two, short of going back to other countries, I think almost any concession in the enabling legislation which would have the result of taking away most of the intelligent opposition to the bill would be desirable. You won't get rid of all of it. If you could get Wolcott and some of the more intelligent larger bankers who have opposed it like H. Huml and people who have opposed it to come out in favor of it, that would leave only a minority isolation group in the House to fight it, and it would add greatly to the subsequent advantage of this country and all the international

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operations, and I think it would in turn make the functioning of the Bank and Fund more desirable.

H.M.JR: I didn't get that last sentence.

MR. BROWN: I think it would tend to make the functioning of the Bank and Fund much more feasible if it were supported and passed by a large majority and with general approval in this country. I don't know, except for the gossip I hear, how far Burgess could control the American Bankers Association as a body, but if you could get a number of prominent bankers of the type of Will Potter or Sloan Coit who are not officers of the ABA-- if you could get some of the outsiders--

H.M.JR: Warrant officers?

MR. BROWN: Who aren't officers of the ABA. And if you could get some of the other outside critics to say that they would accept this compromise, you could give some of the opposition or semi-opposition like Wolcott in the House or in the Senate credit for getting some of these modifications, or I think you could go ahead without formal ABA support.

Speaking for myself, I am quite sure that as far as Burgess himself is concerned, he would be prepared to accept modifications which wouldn't involve action by other countries. I have my doubts as to whether he could get his Committee of the ABA to agree to go along with him in that position from what I have heard; and if they don't go along with him, he may feel that loyalty to the ABA and duty there prevents his expressing his own individual view. I didn't see the detailed discussions or suggestions that were drawn up in memo form by Luxford and Bernstein, and I don't know who else, until today. I saw them this morning. We went over them. With one or two minor exceptions, I think they could be adopted in the enabling legislation.

(Secretary leaves the conference temporarily.)

MR. BROWN: Well, that is about all.

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H.M.JR: Well now, may I ask some questions? I may be able to bring out some discussion. I asked Bell to show you these telephone conversations I had yesterday.

MR. BELL: No.

H.M.JR: I didn't?

MR. BELL: The only things I got were the things in the confidential envelope, and I sent those right back to Mrs. McHugh. That was all I got.

H.M.JR: Let me give it to you as I remember it. I had two conversations yesterday with Chairman Spence. Of course, what I am telling you now is in strict confidence, Ned.

MR. BROWN: Yes.

H.M.JR: I mean, there is no reason why I can't tell you this?

MR. BROWN: No.

H.M.JR: Before I start, may I thank you for coming down yesterday, because I know going back and forth isn't very pleasant. Did you get a room at the Carlton all right?

MR. BROWN: Yes, I got one, thank you.

H.M.JR: I asked him about the question of making some compromises, see? And before I could get on the thing, he said absolutely no. He said, "I wouldn't make any compromises of any kind." Is that right?

MR. BELL: Yes.

MR. GASTON: Yes.

H.M.JR: And then I asked him about where he stood on the votes, and he didn't know. Then I asked him who was going to see Baldwin and Barry, and he said he would speak

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to the Speaker, which he did. Then he called me back and said the Speaker said, "Spence, why don't you see Barry?"

He said he was going to see Barry and have it out with him and say he wants to know how Barry is going to vote, yes or no, see? And he's going to let me know in a day or two. And I got Leo Crowley. He said he was going to see Congressman Hull of Wisconsin. But Spence was absolutely adamant that we shouldn't make any concessions.

Now, we were sitting here, Acheson and the rest of us, and I just couldn't see why--there was no use discussing with him whether we should or shouldn't make concessions in view of the second conversation I had with him yesterday where he was going to see Barry at the suggestion of the Speaker. Now, if he gets Barry's vote, he has got fourteen votes. And he said he could get the thing through, see, the Committee in the House.

Now, my own feeling is this: And some of the people here agree with me, so don't--if we could get the thing through the house without any concessions, it would strengthen our position very much in the Senate, and as Spence said, "Any concession you make now would be forgotten by the time you get to the Senate, or would be forgotten when you get on the Floor." He said, "If you make any in the Committee, it wouldn't be considered a concession; it would be forgotten when you get on the Floor." Now, he was very positive. Have I left anything out, Herbert?

MR. GASTON: No, that is the story; that is the whole story.

H.M.JR: He was adamant.

MR. GASTON: He was very positive. I thought he made an assumption that may not be entirely valid. He seemed to assume we were going to have a fight all down the line on this thing, and so as a matter of strategy--we are going to have a hard fight all the way through, so as a matter of strategy, the less and latest you conceded was the better.

There is another view, and that is that these people are fairly sincere, and meeting their objections might dissipate

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their opposition so you wouldn't have a partisan battle, but what he is saying is all--

H.M.JR: I forgot Lynch, the Assistant General Counsel.

MR. GASTON: It was on the basis you were bound to have willy-nilly a partisan battle all the way through, and I don't know if that is a sound assumption or not.

H.M.JR: I am in a position, having called up the man-- he went to the Speaker, and the Speaker told him to do this. I have to wait now until he gets the answer. I mean, I have no choice.

MR. BROWN: That is a matter of politeness.

(Discussion off the record.)

H.M.JR: The Speaker is directing this thing himself. I had a few minutes this morning with Mr. Truman, and he is very much interested, and I gather Spence takes an interest in this thing himself.

Anyway, I am glad you will be here until Wednesday or Thursday. Is that right? While I have got a little time-- I am in a position where I have no choice, you know. This thing on the Hill is all a matter of Spence announcing he is going to go out. If I started to make compromises behind his back, well, I might just as well resign, see? I mean, as far as any prestige I would have.

MR. GASTON: Whatever you do now has to be with Spence's concurrence with that Committee.

MR. BELL: The thing that worries me on that front is we have talked to the bankers and if that comes out, I wonder if it wouldn't hurt a little.

H.M.JR: Well, that cuts both ways, Dan. It certainly won't come out of the Treasury. Well, there is no use worrying about it. What is the use? If it comes out, it is like anything else--there will be time enough to worry about it.

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May I just go on and get the most out of Brown's counter? I want to get his reaction as to which of these suggestions in Luxford's and Bernstein's memo he would go along with or what suggestions he has of his own. Do you want the memo to talk from?

MR. BROWN: No, I think I read it carefully, and it is fairly--

H.M.JR: Did I shut you off?

MR. BELL: No, I was going to say that it might help if Spence knew what was going on.

H.M.JR: I am afraid--

MR. BELL: If it comes out--

H.M.JR: We haven't gone anywhere. I haven't. Bernstein and Luxford told him they couldn't commit me to anything. Is that right?

MR. BELL: That is right.

H.M.JR: Well, Luxford and Bernstein and you went up to have a chat, and you talked. Well, now, there is no harm in talking. You haven't gone anywhere. I haven't agreed to a thing.

MR. BELL: No. I wondered what his reaction would be if it appears in the press.

H.M.JR: It isn't going to appear in an official story. It might come in the Weekly Review of the Wall Street Journal, or the Outlook, or something like that, gossip of the week.

MR. GASTON: Is there any harm in telling Spence just exactly what has happened?

H.M.JR: The only reason I am afraid to tell him, or say that I am bothered is that he is raring to go, and I don't want him to, you know--

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MR. BROWN: I am perfectly sure the bankers have told Wolcott what has been going on.

MR. WELLS: You are? You think so?

H.M.JR: He knows.

MR. BROWN: I don't know, but I am perfectly sure it has--

MR. GASTON: It puts us in an uncomfortable position.

H.M.JR: All right. Let me sleep on that. You can't do anything between now and Monday, anyway.

All right, which of these things do you like, and which don't you like, and what suggestions have you got of your own?

MR. BROWN: Well, one, my conversation with Burgess today is predicated--he had a great long sheet with a lot of reservations in it and the legislation was conditional, that is, the acceptance of the Fund and the Bank by America was conditional, and all the countries agreed to all the reservations, so I told him that as far as I was concerned it was a sure waste of time to discuss any such approach. I had no authority, obviously, from the Treasury, but it might be interesting to ramble around and see what could be done along the lines of meeting some of the objections to the plan in the enabling legislation which wouldn't require any change in the agreements themselves, wouldn't require concurrence by other countries. Out of that discussion came the idea that it might be possible for the American Governor or Executive Director to be the same in the Bank and the Fund. Personally I think that is desirable. It doesn't mean that the Manager of the Fund or President of the Bank would be the same person. I don't think he should be.

These instructions to the American delegation, or declarations of policy, went much further than any discussion I had with Burgess. I said it might be possible to adopt

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some general language such as R. Rumi's and the CED report that gifts should be gifts and loans should be loans and monetary fund advances should be for the purpose of currency stabilization, and that the American Governor and Executive Director should govern themselves accordingly.

MR. GASTON: Then there was the creation of the Advisory Council.

MR. BROWN: That came later. As to this, generally, I thought it would have a good deal of moral value. I see no objection to the declaration of policy as drawn up in this Luxford-Bernstein memo on the question of the Council.

H.M.JR: May I just stop a minute before we go to that? The thing that bothers me is this: In talks that I have made and questions I have answered, I have tried to explain why you have to have a separate bank and separate fund. I stressed the fact that it was a Treasury job and you need separate staffs, and have to use just as intelligent people as you can on both.

MR. GASTON: You have also said that the functions are quite different.

H.M.JR: Now you come along and have the same man. I mean, if during a debate you agreed to that, wouldn't the opposition say, "Oh, well, if you can have the same man on both, why can't you have this welded, the two institutions?" I can say that for years we ran a trust company in the savings bank--in the National Bank--which performed entirely different functions, but they had a common board of directors, and one was held in trust for the other. The National City Bank runs the City Farmers Trust Company under their arrangements, but they have different executive staffs. They have common directors and separate presidents.

MR. BROWN: A separate president for the Trust Company and a separate president for the bank, but the board of directors is common.

MR. WELLS: Separate operating people.

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MR. BROWN: Except operating people, but the policy making is in the hands of the same people.

MR. GASTON: You have men on your board who are on boards of packing companies and steel plants.

H.M.JR: Wait a minute! I can see this advisory group of Federal Reserve, or the Department of Commerce or Treasury--

MR. GASTON: They left out the Department of Commerce. It was Treasury, and State.

H.M.JR: Whatever it is--which would correspond in my way of thinking to the Board of Directors --it would be one Advisory Council. That would be the Board of Directors who would act in an advisory capacity, just the way the Federal Reserve Advisory Board is, of which you are head.

MR. BELL: advisory to the Federal Reserve system.

H.M.JR: And that would be advisory to both institutions which would be analogous, to my way of thinking, to what you are talking about. There would be one Board of Directors for the National City Bank and the Farmers City Loan, the same Board.

MR. BROWN: Well, this idea goes further. I think it is obvious if the United States appointed identical people as executive directors and governors of the Fund and Bank, virtually all other countries would do likewise, and you would get a general--apart from the United States--you would get a general international situation in which the same group of people would be familiar with the policy problems of both institutions and would cause them to work together more harmoniously. I think you have to have separate staffs. I don't think--

H.M.JR: You don't think of putting in just one man. What do you call him, an Executive Director? Is that what you call him?

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MR. BROWN: An Executive Director. The United States appoints an Executive Director who sits on what might be called an Executive Committee which is a full time job. They also appoint a Governor, which isn't necessarily a full time job. The Executive Council is much smaller than the Board of Governors, which comprises all forty-four countries.

MR. GASTON: Your Governors are--

MR. BROWN: But the actual management of the Fund is to be in the hands of a man called a Manager who is to be elected by all the countries, in the active management of the Bank. It used to be in the hands of the President who is elected by all the countries. Now, the President of the Bank and the Manager of the Fund can, and probably should be different people because their administrative jobs are totally different, but the Executive Committee of the Bank and the Executive Committee of the Fund, in my opinion, could well be composed of identical people.

H.M.JR: But that has been a suggestion, hasn't it?

MR. GASTON: Yes.

H.M.JR: My suggestion was the Director--

MR. GASTON: Both Governors and Executive Directors would be the same under this plan, that is, for the United States. They would elect one man who would be a Governor for both the Bank and the Fund. Well, that Board of Governors doesn't amount to much. It is like a stockholders' meeting, they meet once a year. But also the Executive Director should act for both the Bank and the Fund.

H.M.JR: That's one person.

MR. GASTON: Two. One Governor of both institutions, and another Executive Director for both institutions.

MR. BELL: They are just representing the United State's side of it.

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H.M.JR: Get me a chart, will you, Harry?

(Mr. White leaves conference temporarily.)

MR. BELL: The Managing Director of the Fund is an administrative officer who would be elected by this so-called Board of Directors.

MR. BROWN: There will be a dozen Executive Directors, not one, both in the Bank and Fund.

H.M.JR: For each country?

MR. BROWN: Each of the five large countries has one and the small nations together elect another four or five, and then one or two countries which happen to be creditors of the Fund, but which haven't the right of permanent representation, Canada and Holland, rate one after the first two years so that actually you get down to a Board of Directors of a dozen or fifteen. I have forgotten just how many there are.

MR. BELL: They are called Executive Directors?

MR. BROWN: Yes. It would be more correct to call them Directors.

MR. GASTON: United States has one of those people.

MR. BROWN: England has one, Russia and France have one each.

H.M.JR: If I had a chart of the organization, I would understand it better.

MR. BELL: There would be a Board for both the Fund and Bank, almost alike, and you have explained it to Congress that there would be one for the Fund and one for the Bank. So what you do is elect the same man and he fills both positions as Executive Director, and then you go over to the Governors and you have a Governor of the Fund and a Governor of the Bank--is that right--which is the overall Board of Directors?

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MR. GASTON: Yes.

MR. BELL: And they meet how often?

MR. BROWN: At least once a year.

MR. BELL: Once a year. Now that contemplates you have a Governor for the Bank and a Governor for the Fund?

MR. BROWN: Each of the forty-four nations has a representation on the Board of Governors, so that would be forty-four of them, but that is too big a group to run an institution.

H.M.JR: Let's let that ride a minute until we get a chart.

What was another suggestion?

MR. BROWN: The other suggestion concerns this Advisory Council which is given power in certain matters to direct the American Executive Director or the American Governor as well as to consult with him. To my mind that Council should be made up entirely of people appointed by the President, certainly the Secretary of Treasury, the Secretary of State, and I think the Department of Commerce, and the Governor of the Federal Reserve Board.

(Mr. White re-enters the conference.)

MR. BELL: Chairman.

MR. BROWN: Chairman of the Federal Reserve Board.

MR. WHITE: Here is a chart of the Banks, and this one is the Board of Governors (indicating) and it doesn't show on the chart very well, but here is the President of the Bank, and he is called the Managing Director of the Fund, and he is under the Executive Directors. The Board of Governors is on top.

H.M.JR: This is the world organization.

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MR. WHITE: This is the Board of Governors' organization, one from each country, so that would be forty-four. There are twelve members of the Executive Directors. They are in continuous session. It's a full time job, supposedly. They direct the President of the Bank or the Manager of the Fund. He has his own staff, and the proposal is that the Executive Directors and this group shall be the same.

H.M.JR: Which group?

MR. WHITE: This group.

MR. GASTON: Both of them. This group and this group. (Indicating)

MR. WHITE: They shall be the same men--the same individuals in the Bank and in the Fund.

H.M.JR: You mean the Board of Governors? How many?

MR. WHITE: Forty-four, and they will be the same forty-four as the Board of Governors in the Fund if all the countries follow our suit, but as far as the United States is concerned, the same man--John Smith--will represent the United States on the Board of Governors of the Bank and represent the United States on the Board of Governors of the Fund.

MR. BELL: Now, go down here. (Indicating)

MR. GASTON: Now, we elect Tom Jones as Executive Director of the Fund and Bank--

H.M.JR: Just a minute. Please let me get this. Who appoints the American representative on the Board of Directors?

MR. WHITE: The President with the approval of the Senate.

H.M.JR: The President?

MR. WHITE: The President with the approval of the Senate.

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H.M.JR: What is he called?

MR. WHITE: He is called the Governor.

H.M.JR: And is that a full time job?

MR. WHITE: No. Maybe one, two, or three times a year.

H.M.JR: And the talk is that this so-called Governor should both represent the Bank and the Fund.

MR. WHITE: That's right.

H.M.JR: And he is not a--what shall I say?

MR. BELL: A working Governor.

MR. WHITE: No, it's not a full time job.

H.M.JR: No?

MR. WHITE: Not that one.

H.M.JR: And this one man is representing what, the Executive Director?

MR. BELL: Imagine a chart out here exactly like that for the Fund.

H.M.JR: Where does he go?

MR. BELL: Over here to the--

H.M.JR: Is he one of the Executive Directors?

MR. WHITE: No, just the Board of Governors, a member of the Board of Governors. The President can, if he wants to, so the lawyers claim, under the present legislation--somebody has some doubt on that--can elect the same man--John Smith--appoint the same man on the approval of the Senate, to be also an Executive Director. But I gather that has not been recommended. That's not the issue.

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The issue is whether John Jones shall be a member of two Boards of Governors. Monday he sits in on the Bank and Friday he sits in on the Fund. Two, three, or four times a year. The second important issue is whether John Smith shall be Executive Director to the Bank and the same John Smith be Executive Director to the Fund.

H.M.JR: You are getting me all mixed up. Let's say Dan Bell is appointed by the President to be a Governor.

MR. WHITE: Of the Bank.

H.M.JR: Of the Bank. Now, I understand the proposal is that Dan Bell should also be the representative for the Fund.

MR. BELL: Governor of the Fund. It's the same relative position.

H.M.JR: That's right. You would be in the bank. What would you be called?

MR. BELL: The Governor.

H.M.JR: And in the Fund.

MR. BELL: The Governor.

H.M.JR: And that is the suggestion. You would represent in this world organization both institutions?

MR. BELL: As Governor.

H.M.JR: Is that right?

MR. GASTON: That's step one.

H.M.JR: Now, I got that through my head, and you are not an operator. What would you do the rest of the time?

MR. WHITE: He would have some other job, Under Secretary of the Treasury, President of a bank--

MR. GASTON: He runs his coffee plantation.

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MR. WHITE: He should pay some attention to this in between times, but he still could hold a major responsible job.

H.M.JR: Does it pay?

MR. WHITE: Not by the United States, but the Bank can pay his expenses if he comes for one day.

H.M.JR: Not a salary?

MR. BROWN: If a meeting in London is necessary, they could pay his travel expenses.

MRS. KLOTZ: You don't want it?

H.M.JR: No, if it doesn't pay. If it's for free, no. I just wanted to find out.

MR. WHITE: They can pay expenses.

H.M.JR: Now, I have that. Now, what's the other suggestion?

MR. BELL: Drop down in the next block.

MR. BROWN: The Governors are something like the Board of Officers of Harvard College. They have the right to vote and review actions, but the real power is concentrated in a small group under the President and the fellows who are not elected by the Officers. Now, leave out the title of Executive Director because it is confusing. There are Directors of the bank, of whom the United States appoints one. There are twelve or fifteen altogether, because later on there are some creditor countries.

H.M.JR: All right. Now, Dan Bell is the Governor, and say that now the United States has a member on the Executive Directors.

MR. BROWN: Call it the Board of Directors.

H.M.JR: And say that is you, and the suggestion is you also be on the Executive Committee for the Fund.

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MR. BELL: The same tentative position.

H.M.JR: Is that a full time job?

MR. BROWN: Yes. I mean, the person taking that job should move to New York or wherever the headquarters are.

H.M.JR: This is a full time job?

MR. BROWN: This is a full time job.

H.M.JR: Without committing myself, I can see--

MR. WHITE: The Governor being the same man.

H.M.JR: I can see that.

MR. WHITE: It is probably desirable.

H.M.JR: I can see that, but this thing is going to take some selling.

MR. BROWN: I can only say while it is a full time job it is a job not charged with administrative responsibility. It's a job comparable to the Executive Committee of a steel corporation.

MR. BELL: That's what I felt.

MR. BROWN: Or Executive Committee of the Santa Fe Railroad.

H.M.JR: Didn't Stettinius give it full time when he was Chairman?

MR. BELL: He did a lot of other things, too.

MR. BROWN: When he was Chairman of the Board. But I mean Chairman of a Finance Committee of a steel corporation. That doesn't require full time.

H.M.JR: As Chairman of the Executive Committee of the United States Steel, he gave his full time.

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MR. BROWN: I mean, certainly the elder J. P. Morgan who held that job didn't give it his full time.

H.M.JR: How do you feel about this?

MR. WHITE: That can be one man or two. I don't care.

(Discussion off the record.)

MR. WHITE: The reason I think it is better to have it separate--if the choice were with me it would be different because they require different kinds of people entirely. The Board of Governors of one or the Board of Governors of the other-- you can get a splendid Board of Governors for the Bank. I can name a thousand off-hand who could do a wonderful job who would know nothing about the operations of the Fund.

H.M.JR: You wouldn't fight it?

MR. WHITE: No. But as to the Executive Director, that, in my judgment, is different. It's a full time job, and the reason you can't use comparable agencies such as have been used in the Fund and Bank, too, but more in the Fund, is because of the kind of decisions the Executive Directors make which the President does not make. He is the operating man, and the decisions, if he does make them, should be subject to constant review. These are policy decisions all the time. A policy decision is a decision as to whether you can crack down on this country or that one, whether to permit this country to do this or that. They are not decisions the President can make except as tentative to present to the Executive Committee. The Executive Committee would be sitting all the time and would have more than it could possibly handle of decisions which are of the most difficult kind. That's why I wouldn't compare it to steel organizations or railroad organizations, because the kind of policy decisions they have to make do not come frequently. They are spaced out, but the kind of decisions the Fund would have to make dealing with fifty or sixty countries, that doesn't mean necessarily eight hours a day.

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MR. BROWN: When you say continuous you don't mean they'd have a meeting every day or every other day.

MR. BELL: They would be available.

MR. BROWN: They would probably operate about the same way as the Board of Governors of the Federal Reserve System.

MR. WHITE: They would have many more problems. They would have more problems in a week than the Board of Governors have in a year.

MR. BROWN: What I mean is--

H.M.JR.: Would they give it as much time as the Board of Governors?

MR. BROWN: They would give it as much time as the Board of Governors, but bear in mind that the decisions of both this Board of Directors of the Fund and the Board of Directors of the Bank are policy decisions. They are not operating decisions. The two are necessarily closely inter-related. When information about a country determines a policy situation, then the Bank will require very similar information to make a policy decision as the Fund, and then the situation would be similar as the Executive Committee of the National City Bank, and the Executive Committee of the City Farmers Bank and Trust Companies. It is, and the two are inter-related, and I really believe that if we had a Board which was identical in the two, we'd get more intelligent decisions in each.

H.M.JR.: Well, I am beginning to see what the thing means. I want to have more talks on it, too. About the suggestion of having the Executive Committee the same for the Fund and the Bank, that bothers me. The other one doesn't, but I'd like to think about that some more, see? Now, let me--I've got another ten minutes. Let me ask you, are we in agreement here that if the representative--there is a representative of the Federal Reserve Board on this Advisory Committee, there is no necessity of having a representative of the Open Market Committee?

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MR. BROWN: I'd say--I wouldn't say a representative of the Federal Reserve Board should be on. I would say the Chairman of the Federal Reserve Board should be on. I think that's mighty important, because the members of the Board are appointed for fourteen year terms. There is minority representation, whereas the Chairman of the Board is appointed by the President and can be altered by the President.

I think whoever is on this Board in the last analysis, to get coordination, should be somebody responsible to the President. The reason that the Federal Reserve Board suggests it be a member of the Board is Matt Szymczak's desire to shine in international affairs. He wants to be the Federal Reserve Board member.

(Discussion off the record.)

MR. WHITE: He should be responsible to the President.

MR. BROWN: It should be the Chairman and not a member of the Board.

MR. BELL: I think that's a good point.

MR. WHITE: He should be in the same position as a Cabinet member.

MR. BROWN: I think State, Treasury, and Commerce should certainly be on it, and probably to get an odd number you should have one more. I mean, put the Federal Loan Administrator on.

MR. WHITE: RFC.

MR. BROWN: Or the Federal Loan Administrator.

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

MR. GASTON: Foreign Economic Administrator.

MR. BELL: What you should have is some representation that would control the Export-Import Bank because they tie in. That was one reason for putting the Foreign Economic

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Administrator on there.

H.M.JR: Well, that could be decided later, but let me ask you--

MR. BROWN: But I am opposed to putting anybody not appointed by the President and who is not regarded as part of the Administration as a member of this Council, and for that reason I would be opposed to putting any President of a Federal Reserve Bank nominated by the Open Market Committee on.

(Discussion off the record.)

MR. BELL: In all fairness to the bankers, it was suggested that--

H.M.JR: Do you question that he wants to be fair to the bankers, Mr. Bell?

MR. BELL: Burgess suggested you not put in Wallace, because he didn't want to have to argue with his group. I don't think a lot of them would care. Olrich thought it was wrong not to put Wallace in.

MR. BROWN: Certainly Commerce should be on.

H.M.JR: Now, then, the other thing I want to ask you-- I think that the functions of this Advisory Committee to the Bank and the Fund are terribly important. Are they going to be advisory, or are they going to be able to give them orders?

MR. BROWN: I think that that question of the membership as restricted to the people appointed by the President in forming part of the Administration is academic and a question of verbiage. The advantage of a Council is that Treasury wouldn't want an important decision to be made which might be suggested by State or Commerce without its knowledge. Whether the Board is advisory or whether it has authority to direct the American representative of any matter if any matter of importance comes up, and any one of these important

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departments like State or Commerce or the Treasury or the Federal Reserve strongly object to the decision of the majority, the matter is sure to be carried to the President and decided, and that's going to be equally true whether the Council in form is given the right merely to advise or is given the right to direct.

Personally, I would rather see the Council advisory only, practically.

H.M.JR: Something like the Advisory Council to the Federal Reserve Board.

MR. BROWN: Don't compare it to that--pardon me--because Mr. Eccles carefully conceals what he is doing from us, and when he doesn't--in spite of provisos of the law that they shall give us information, he doesn't give it to us--and when he doesn't want to meet us he goes out of town or stays in his office and doesn't appear, and every other member of the Board is afraid to tell what he is doing.

All this is being written up for posterity. The Council has to be stronger than the Federal Advisory Council if it is going to be of any use, and I think that if it would make it easier to get this thing carried through, that there is no difference in its practical operation as to whether it is given the right to direct the American Director or the Governor, or whether it's merely got the right to advise them, but I do think that particularly if it's got the right to direct, it is vital that every member of that Council be somebody who is part of the Administration and appointed by the President.

MR. WHITE: The difference doesn't lie there. The difference whether they have the power to direct or the power to advise rests rather in the relationship between that group and the representative. If it's wisely drawn, if their powers of direction are wisely used, doesn't matter, but if they make of the Director an errand boy, every time he has the slightest decision he has to come to the Board and thrash the thing out, he's going to hamstring his own men. That's why I think it's better to have it somewhere in between. The language could be drafted.

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H.M.JR: One of the things that interested me very much is that Mr. Brown said here this afternoon--I haven't discussed this with him before--that he feels the President and his Administration should settle whatever policy the American representative on these two institutions should carry out. That's what you are really saying.

MR. BROWN: Yes, and I took that stand before the Federal Reserve Board tried to get me, or Skymczak tried to tell me that the Council would have the power to direct the American representative. I told him I wouldn't support any such idea, and Eccles agreed with me that in the last analysis the President has to determine the policy of the American representative.

H.M.JR: That has been the whole philosophy of my financing the war as an appointive officer of the President of the United States. As such it is my responsibility to finance the war, and you know every country in the world has a fight between its Treasury and its Central Bank. I just didn't know where you stood.

MR. GASTON: As the thing is drawn now in this proposal, this Council is not in any sense advisory. It is very powerful.

H.M.JR: I am going to stop now, but this discussion has been very useful to me, and early next week I'll call up and find out what time you can spare me another hour.

MR. BROWN: I'll be free all day Monday or Tuesday. I've got plenty of other things to do, but I'll be available Tuesday, Wednesday, and Thursday.

H.M.JR: I'll be here Monday.

MR. BROWN: Wednesday and Thursday.

H.M.JR: I won't be here Wednesday, but Monday I would like to call you up in the morning when I get back. We could just sit around for another hour or two like this and discuss this thing. We have made a lot of progress. We are all getting toward the point--I don't want to do anything, Dan,

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between now and the time I hear from Spence, but I would like within the Treasury to have a united front between now and then which we haven't now, you see. We were not together here. We'll have Acheson, too.

Well, gentlemen, thank you very much.



Office of the Attorney General
Washington, D.C. 25

April 14, 1945

PERSONAL

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

Dear Henry:

I have your letter of April 12, stating that Mr. Winthrop Aldrich, President of the Chase National Bank, told Mr. Bell that I had told Mr. Aldrich that I had been compelled to move forward in the case against the Chase Bank because of a call from you following the release of the American Bankers Association report. This is not true. I have not seen nor spoken to Mr. Aldrich for several years. The case was set in due course for trial and, of course, there was never any suggestion that the release of the A B A report had anything to do with trying the case.

Mr. Aldrich has absolutely no ground for attributing such a statement to me.

Sincerely yours,

Francis Biddle
Francis Biddle

THE WHITE HOUSE
WASHINGTON

April 14, 1945

Dear Mr. Secretary:

I can't tell you how much I appreciated your letter of the 12th, as I value your praise very highly. I can only repeat that I most certainly could not have accomplished what I did if you had not been good enough to loan me Travis Schmidt. I should be delighted to talk over the mission with you any time that you are free.

Yours sincerely,

Travis Schmidt

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

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APR 14 1945

My dear Mr. Secretary:

I enclose for your information a copy of a letter from the United Kingdom Treasury Representative in Washington containing a message from the Chancellor of the Exchequer relating to British influence in Italy.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The Honorable

The Secretary of State

Enclosure

HLS: 4/12/45

MARCH 29, 1945

Dear Mr. Brand:

Secretary Morgenthau is away from Washington for a few days and I am, therefore, acknowledging your letter of March 26th in which you quoted a message received from the Chancellor of the Exchequer. You may be sure I shall bring this to Mr. Morgenthau's attention as soon as he returns to his desk.

Yours sincerely,

(Signed) H.S. Klotz

H. S. Klotz,
Private Secretary.

Mr. H. H. Brand,
United Kingdom Treasury Delegation,
Box 880, Benjamin Franklin Station,
Washington, D. C.

*Send copy
letter**To Brand
State
before*

UNITED KINGDOM TREASURY DELEGATION

BOX 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D.C.

REFERENCE

March 28, 1945.

TELEPHONE EXECUTIVE 2220

5-17-16

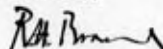
Dear Mr. Secretary:

You will remember the talk we had together on the 22nd February when you asked me to send to the Chancellor the sense of your remarks.

I duly did this, and have now been asked by the Chancellor to send you the following message from him:

"Brand sent me a personal message on February 23rd telling me that you had become seriously concerned whether owing to an alleged influence of certain British officials in Italy, fascists are being sufficiently purged, and that you were also concerned with reported feeling amongst Americans returning from Italy that British influence in Allied Commission is predominant. I immediately consulted my colleague Harold MacMillan, and asked him to look into the matter and give me his views. I have now heard from him that he is convinced that there is no good ground for the allegations which you reported to me. His reply is most emphatic and unequivocal. I do not think there is anything further that I can usefully do but if you think there is please do not hesitate to let me know. It is our common desire that our representatives should work in the closest cooperation in all parts of the world and you can rely on me, at all times, to give any help I can to ensure this."

Yours sincerely,



R.H. Brand.

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

April 14, 1945.

Dear Mr. Sturdivant:

It was very good of you to write, expressing your sympathy in the loss of our President and your appreciation of the part he has played in the difficult war years.

Thank you on behalf of both Mrs. Morgenthau and myself for the message in which Mrs. Sturdivant joins you.

Sincerely,

(Signed) Henry Morgenthau, Jr.

Mr. Norman Victor Sturdivant,
Fox West Coast Amusement Company,
955 Market Street,
San Francisco, California.

GMP/dbe

WU5 55 CD MEXICOCITY VIA MEXTEL APR 13 120A

SECRETARY AND MRS HENRY MORGENTHAU JR

UNITED STATES TREASURY

MRS STURDIVANT AND I JOIN YOU IN YOUR GRIEF OVER YOUR LOSS
TODAY STOP THERE IS NO DOUBT BUT THAT THE SACRIFICE WHICH
OUR PRESIDENT MADE WAS JUST AS GREAT AS THAT ON ANY
BATTLEFIELD STOP ALL MEXICO TONIGHT IS SORROWFUL WITH THE
KNOWLEDGE THAT LATIN AMERICA HAS LOST ONE OF ITS MOST DEVOTED
FRIENDS

BERTRAM VICTOR STURDIVANT

815 AM.

1945 APR 13 AM 8 22

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156 ✓
April 14, 1945.

Dear Mrs. Roosevelt

It was most kind of you to wire as you did on learning of the death of the President. I know that you understand how deeply we both grieve over this personal loss, and what a staggering blow it is to the nation and to the world.

Mrs. Morgenthau is ill and away from Washington, but I shall see that she knows of your message, and I know that she would wish us to add her thanks to mine.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mrs. Margaret Sawyer Rice,
Phoenix, Arizona.

GHT/als

12"

CLASS OF SERVICE

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

WESTERN UNION

R. H. WILLIAMS
PRESIDENT

1700

SYMBOLS

TL=Day Letter
NL=Night Letter
LC=Deferred Cable
NLT=Cable Night Letter
Ship Radiogram

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

CB574 NL PD=TUCSON ARIZ 12

SECRETARY OF TREASURER AND MRS MORGANTHAU=
WASHDC=

MY HEART GOES OUT TO YOU BOTH IN SYMPATHY OF THE TRAGIC LOSS
OF YOUR CHIEF AND OUR FRIEND AND NEIGHBOR YOU MUST FEEL
CONSOLED THAT YOU HAVE DEVOTED YOUR BEST YEARS AND TALENTS
TO SUPPORT HIS IDEALS YOUR LOYALTY AND FRIENDSHIP HAS DONE
MUCH TO LIGHTEN HIS HEAVY RESPONSIBILITIES FOR THIS YOU MUST
BE ETERNALLY GREATFUL MY SONS GRANT AND STEWART WOULD JOIN
ME IN THIS EXPRESSION OF SYMPATHY WERE THEY HERE WE ALL
REVERENCED YOUR SPIRIT OF SERVICE TO THE NATION AND TO A
GREAT STATESMAN FRANKLIN D ROOSEVELT=

MARGARET SANGER SLEE.

SLEE.

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE



TREASURY DEPARTMENT

WASHINGTON

April 14, 1945

Dear Mr. President:

Subject to your approval, I propose to offer for cash subscription, under authority of the Second Liberty Bond Act, as amended, issues of 2-1/2 percent Treasury Bonds of 1967-72, 3-1/4 percent Treasury Bonds of 1959-62, 1-1/2 percent Treasury Bonds of 1950 and one-year 7/8 percent Treasury Certificates of Indebtedness, all to be dated June 1, 1945.

These four issues, Series A, F and G Savings Bonds, and Treasury Savings Notes, will constitute the securities available in the Treasury's Seventh War Loan Drive, with an objective of \$14,000,000,000 to be sold to non-banking investors. In general, the terms and conditions of the new securities will be similar to those sold in previous drives, and the amount of securities to be issued will not be specifically limited. I propose to start the Drive and make the new securities available for subscription on May 14. I am planning to permit commercial banks holding savings deposits and issuing time certificates of deposit to make a limited investment in the 1-1/2 percent Treasury bonds and the certificates of indebtedness during the last two weeks in June. The securities so acquired by the banks will not be included in the Drive.

The authorizing act provides that bonds may be issued only with the approval of the President. Accordingly, I trust that the proposed issues will meet with your approval.

Faithfully yours,

Secretary of the Treasury.

The President,

The White House.

FOR DEFENSE



APPROVED:



TREASURY DEPARTMENT

WASHINGTON

April 14, 1945

Dear Mr. President:

Subject to your approval, I propose to offer for cash subscription, under authority of the Second Liberty Bond Act, as amended, issues of 2-1/2 percent Treasury Bonds of 1967-72, 2-1/4 percent Treasury Bonds of 1959-62, 1-1/2 percent Treasury Bonds of 1960 and one-year 7/8 percent Treasury Certificates of Indebtedness, all to be dated June 1, 1945.

These four issues, Series J, F and G Savings Bonds, and Treasury Savings Notes, will constitute the securities available in the Treasury's seventh War Loan Drive, with an objective of \$14,000,000,000 to be sold to non-banking investors. In general, the terms and conditions of the new securities will be similar to those sold in previous drives, and the amount of securities to be issued will not be specifically limited. I propose to start the Drive and make the new securities available for subscription on May 14. I am planning to permit commercial banks holding savings deposits and issuing time certificates of deposit to make a limited investment in the 1-1/2 percent Treasury bonds and the certificates of indebtedness during the last two weeks in June. The securities so acquired by the banks will not be included in the Drive.

The authorizing act provides that bonds may be issued only with the approval of the President. Accordingly, I trust that the proposed issues will meet with your approval.

Faithfully yours,

W. M. Tamm
Secretary of the Treasury.

The President,

The White House.



APPROVED:

Harry Truman

TO:

Secretary Morgenthau

160

Orvis Schmidt is
explaining this press release
in my office today at noon.



MR. Shaeffer

161

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
Saturday, April 14, 1945.

Press Service
No. 45-80

A general license relating to trade and other current transactions with France, including her colonies, was issued today by the Treasury Department. This license is the first of its kind issued with respect to any liberated country and is a major development in the Treasury's program of lifting the freezing restrictions as rapidly as conditions permit.

Under General License No. 90, trade between France and the United States or the generally licensed trade area may be carried on through normal banking and commercial channels without obtaining specific Foreign Funds Control licenses. Accordingly, shipping, title and other documents incident to trade with France may now freely be transmitted. The license provides, however, that payment for goods exported from France may be made only by depositing the dollar amount in an American banking institution to the credit of the consignor or a bank in France, or by the purchase of francs from a licensed exchange dealer.

Dollars accruing in French accounts maintained with domestic banks from French exports may in turn be used to finance payments in the United States or to effect remittances from France to the United States. They may also be transferred from the account of one French bank to the account of another. Balances which have accrued since November 4, 1944 from remittances to France may likewise be freely used for these purposes.

In addition, the general license permits the collection for French account of certain types of financial instruments, and provides that the proceeds of these collections may be utilized in the same manner as the proceeds of exports from France.

It was pointed out that French assets in this country continue to be blocked and that only the balances specified in the general license may be utilized for trade transactions and other current payments. Withdrawals from other French balances may only be made pursuant to appropriate license. It was also emphasized that the license does not authorize any transactions on behalf of nationals of blocked countries who are not within France or the generally licensed trade area.

-000-

M.W-1960

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

Istanbul

Dated April 14, 1945

Rec'd 2:53 p.m., 15th

Secretary of State

Washington

126, April 14, 5 p.m.

Please transmit following message to Moses Leavitt Joint Distribution Committee New York from Arthur Fishahn Joint Distribution Committee Istanbul.

"No. 6 cabled Jerusalem Lisbon:

"Passengers on Turkish tender fifth day. Making every effort for immediate debarkation at Istanbul as Turkish nationals or right of domicile here. Out top friends extending excellent cooperation. Nevertheless War Refugee Board and intergovernmental committee should stand by. Sending you by pouch a list of Jewish passengers and names of nearest relatives to be notified. Should we cable this list?"

THOUTMAN

126

JP-1658

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

Bern

Dated April 14, 1945

Rec'd 12:06 p.m.

Secretary of State,

Washington.

Z187, April 14, 9 p.m.

FROM WITH FROM SOCIALIZED

Please deliver following from Raigner Geneva to Baruch Ackerman of WJC New York.

"Yours of March 16. Only Yugoslav soldiers interned in Switzerland have been repatriated. Out of 2,200 about 1000 are left here mainly those who refused under present circumstances to return Yugoslavia. There are only few Jews among them. Repatriation of civilian refugees is in preparation but view political situation majority still undecided to return despite pressure and arbitrary measures being taken by Legation. Jewish civilian refugees are supported to certain extent by Swiss Jewish Welfare Organizations but help insufficient. Cable whether what amount you could contribute monthly.

HARRISON

126

JP-1653

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

Bern

Dated April 14, 1945

Rec'd 12:02 p.m.

Secretary of State,

Washington.

2138, April 14, 10 a.m.

Kindly deliver following from Hiegner to Kurt Grossmamt
of WJC.

"Re Jasenovac. View present lack communications
any help for these camps in Yugoslavia impossible.
According last reports Jewish Relief Committee at Zagreb
continued sending food parcels up to middle March to
about 600 Jewish internees Jasenovac, 100 Lepoglava,
few Stara Gradiska.

ICRC delegate Schmiedlin and Swiss Consul left
Zagreb few weeks ago.

Above information based on reports supplies by
Dragutin Rosenberg".

HARRISON

JP-1659

Distribution of true
reading only by special
arrangement. (SECRET W)

Bern

Dated April 14, 1945

Rec'd 12:12 p.m.

Secretary of State

Washington

2139, April 14, 11 a.m.

FOR WJB FROM MCCLELLAND

Regarding number of WJB parcels still at Goteborg
and number already shipped either to concentration camps
or to Luebeck for later delivery to camps, ICRC supplied
me on April 11 with following details: (Legation's 1765,
March 24).

On March 5, 10800 parcels went to Hamburg-Neuenburg;
March 16 ditto; March 17, 9600 parcels to Ravensbruck;
March 17, 13,200 parcels to ICRC depot at Luebeck. Total
44,400.

Original number of parcels at Goteborg was 224,328.

39324 WJB "F" parcels were released to WJC in Sweden.
ICRC informs me WJC entrusted these parcels to the "Kopera-
tiva Foor Bandet" in Goteborg for shipping.

This leaves some 140,604 WJB parcels still in Gote-
borg. ICRC has instructed its delegate there to ship
these as rapidly as possible to Luebeck for further
distribution by Renault trucks now en route.

Repeated to Stockholm for Olsen of WJB.

HARRISON

LHS

Distribution of true
reading only by special
arrangement (SECRET W)

April 14, 1945
1 p.m.

AMEMBASSY

LONDON

2917

The following for Mann is WRB 67.

Reference Department's No. 1905 of March 12 (WRB No. 56).

Board would appreciate reply as soon as possible.

STETTINIUS
(GWS)
STETTINIUS

MMW-11

PLAIN

Bern

Dated April 14, 1945

Rec'd 10:25 p.m., 15th

Secretary of State

Washington

2199, Fourteenth

FOR WRB FROM McCLELLAND

Kindly deliver following message from Sally Mayer to
JDC New York:

"Dr. Fops of Belgrade informed me in cable of March 26 there were still nearly 4000 Jewish survivors in following localities: Belgrade 1463 of whom 483 men 677 women and 283 children Skoplje 360 Macedonia 340 that is 86 in Mitolj 78 in Vales and 176 in Pristina Maleskovac Serbia 28 Subotica Backa Backa 462 Novisad Backa 173 Samun near Belgrade 30 Bjulovan 111 Vrsacenta Banat 28 Sombor Backa and Petrovgrad 49 Banja Topusko Glin Kordun and other liberated regions of Croatia 670 Split 200 making a sum total of 3914 persons.

Children in Belgrade are mostly orphans. Lodgings are very difficult to find and there is great lack of shoes and clothing. Soup kitchens have been opened. Relief scale: 6000 dinars for adults and 1000 for each child. Have placed \$50,000 credit at their disposal. 2380

HAUGRISON

WRB

MM-12

PLAIN

Hern

Dated April 14, 1945

Rec'd 10:26 p.m., 15th

Secretary of State

Washington

2200, Fourteenth

FOR MRB FROM MCCLALLAND

Please deliver following message from Union CGR Geneva to Leo Wulmann of American CGR: "Mission for Hungary left Belgrade without supplies in order organize local work and transport of medicines and restoratives. Details will be communicated after arrival unit Budapest."

Yugoslavian Mission with 4 tons medicines and 4 tons foodstuffs arrived Naples en route to Belgrade.

3 tons foodstuffs and 5 tons medical and pharmaceutical supplies have been assembled in Switzerland

for Polish Mission. According most recent news some facilities transporting relief supplies to Poland are obtainable. Question of visas for personnel is however complicated requiring lengthy negotiations.

Please let us know what sums you may have immediately available for Poland and Hungary. Also is there any possibility purchase and ship medical supplies from United States". 2058.

HARRISON

MMB

NOT TO BE RE-TRANSMITTED

COPY NO. 4

SECRET

OPTEL No. 119

Information received up to 10 a.m., 14th April, 1945.

NAVAL

1. HOME WATERS. 13th. One of H.M. Destroyers sank midget U-boat off Orfordness. Aircraft made 9 attacks on midgets off Dutch coast and claim at least four sunk.

2. EAST INDIES. Four of H.M. Destroyers during anti-shipping sweep sank five small craft off Burma Coast.

MILITARY

3. WESTERN FRONT.

Central Sector: Troops of 3rd U.S. Army captured Coburg. Erfurt surrounded on 11th/12th by U.S. troops now taken. Troops of 9th U.S. Army 15 miles S.W. of Leipzig and reached Wittenberg. More advances made from south, east and north into Ruhr pocket. Fighting continues in Brunswick and in Magdeburg.

Northern Sector: British 2nd Army advanced 15 miles N.E. of Celle. 1st Canadian Army reached Apeldoorn.

4. EASTERN FRONT. Fall of Vienna, small advances to north and N.E. of city, and capture of Hodonin on west bank of River Morava (35 miles S.E. Bruno) is reported.

5. ITALY. Further progress made by 8th Army troops on wide front beyond the Santerno to north of Highway 9. Advance being strongly opposed.

6. BURMA.

Central Sector. Our troops occupied Kyaukpadaung S.W. and west of Meiktila. Other forces made thrust of 21 miles against negligible opposition.

AIR

7. WESTERN FRONT. 13th. 212 U.S. heavies (none missing) attacked Neumunster Railway Centre (515 tons), 378 escorting fighters (20 missing or outstanding) destroyed locomotives 25, and enemy aircraft casualties on ground were 284,0,220. 1423 fighters and fighter bombers (13 missing) flew offensive sorties over battle areas. Enemy casualties in combat 6,1,1 and on ground 51,0,44. 331 M.T. and 141 railway vehicles destroyed. 13th/14th (night). 858 Bomber Command aircraft despatched (3 missing): Kiel 482, sea mining 109, Hamburg 87 Mosquitoes, other targets 72 and bomber support 108.

8. MEDITERRANEAN. 11th/12th (night). Liberators dropped 201 tons on enemy troop concentrations east of Bologna.

12th. 406 escorted U.S. heavies (1 missing) dropped 935 tons on four railway bridges and other targets in N.E. Italy and Austria. 1343 aircraft (15 missing) attacked bridges in Austria and communications and army support targets in North Italy and Yugoslavia. Railways cut in 51 places.

9. BURMA. 11th. Liberators dropped 82 tons Rangoon.

12"

Bern

Dated April 15, 1945

Rec'd 2:45 p.m.

Secretary of State

Washington

2214, April 15, 1 p.m.

Contents telegram under reference (Department's 677, February 12, WKB 399) conveyed Swiss Government which replied April 6 stating Swiss Legation, Germany just obtained authorization visit Theresienstadt and that representative being sent very soon. Swiss Legation endeavoring obtain authorization visit Bergen Belsen.

HARRISON

JT

170

10-1971

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

Ankara

Dated April 15, 1945

Rec'd 4:45 p.m.

Secretary of State

Washington

US URGENT

519, April 15, 10 a.m.

I informed the appropriate Foreign Office official yesterday that rooms had been reserved for the 80 refugees ex-SS BROTTENWOLM now on board another vessel at Istanbul (RUMOS 503 April 12) (*) more hotels in that city and inquired whether it would not be possible to allow them to come ashore particularly in view of the fact that no sleeping accommodations were available on board the small vessel in question and of the fact that eating facilities on board were unsatisfactory. He informed me later that instructions had been issued to allow the refugees to come ashore.

PACKER

WTD

(*) Apparent omission.

171

NOT TO BE RE-TRANSMITTED

COPY NO. 4

SECRET

OPTEL No. 120

Information received up to 10 a.m., 15th April, 1945.

NAVAL

1. MEDITERRANEAN. 12th. Allied M.T.B.'s attacked enemy convoy in Gulf of Genoa. Cargo ship and corvette probably sunk. M.T.B.'s also sank 5 ships in convoy in Gulf of Trieste.

2. ANTI-SUBMARINE OPERATIONS. 14th. 25 U-boat survivors picked up by M/S trawler off Peterhead.

MILITARY

3. WESTERN FRONT. 7th U.S. Army captured Baden-Baden and is approaching Bamberg. Armour of 3rd U.S. Army advanced 45 miles to outskirts of Chemnitz. Jena reported clear. River Elbe crossed by 9th U.S. Army south of Magdeburg and in vicinity of Wittenberge. Former crossing meeting with strong opposition. U.K. troops reached Uelzen in 24-mile advance, but elsewhere on front of 2nd Army progress has been slow. 1st Canadian Army reached Groeningen and Leeuwarden. Zwolle and Arnhem now clear.

4. EASTERN FRONT. In the North gains of ground in area N.W. Königsberg towards Pillau reported. In South further progress across Moravian border S.E. of Brno. Progress also reported North and West of Vienna as far as a town about 5 miles north of St. Pölten. Special report from Marshal Tito states considerable advances across River Drava including capture of Vinkovci and Osijek.

5. ITALY. Good progress made by 8th Army. New Zealand troops secured bridgehead across Sillaro River despite heavy opposition, and U.K. troops on their right have closed up towards this river. Farther North, U.K. forces north of the Reno less than 3 miles from Argenta.

Polish forces preparing to attack Imola from the N.E. South of Highway 9 Italian troops have reduced salient south of Imola.

5th Army began its offensive with attack by U.S. mountain troops west of Vergato. This was preceded by air and artillery support.

6. BUENOS AIRES. Our troops occupied Matmuk, some 40 miles S.E. of Kyaukpadaung on the Kyaukpadaung-Rangoon railway, and a village on the Meiktila-Kyaukpadaung road, both without opposition. Other troops reached a point 10 miles west of main road 14 miles south of Yamethin.

AIR

7. WESTERN FRONT. 13th/14th (night). 1906 tons (including six 12,000 lb bombs) were dropped in Kiel shipyards through cloud. 14th. 1133 U.S. heavies (5 outstanding) dropped 2962 tons on enemy strong points and flak batteries in the Royan, Pointe de Grave and Pointe de la Courbe areas in S.W. France with good results. 479 aircraft (4 missing) operated over Northern Germany, North Holland and Dunkirk, others 527 (3 missing) operated over Ruhr pocket and 383 over Southern sector. 92 locomotives, 468 railway wagons and 502 M.T. destroyed or damaged and railways cut in 33 places. Enemy casualties 18,041 in combat and 27,412 on ground. Coastal Command Beaufighters attacked shipping off Southern Norway obtaining hits on U-boat, naval auxiliary and 2500 ton vessel.

8. MEDITERRANEAN. 12th/13th (night). Liberators dropped 128 tons on targets in Eastern battle areas.

13th. 901 fighters and fighter bombers (9 missing) attacked communications on Brenner route and in N.E. Italy.

4/16/45

D. W. Bell
Roy Blough

Secretary Morgenthau

I had lunch with Fred Vinson, and he immediately brought up the question of taxes. He said the statement given out by his Committee was given out without his approval, and that he feels it is absolutely the Treasury's responsibility to formulate a tax policy. He said that he looks to us to continue to do it, and he is absolutely positive about it. I told him about my differences with Byrnes on this matter but he, Vinson, wants us to be responsible on taxes as far as he is concerned. I asked him if he would like to know what is going on, and he said he would. I told him I would have Blough call him up and go over to see him and explain where we stand. I am also going to send him a copy of my letter to Truman on taxes.

174
4/16/45

Mr. White
Mr. Luxford
Mr. Bernstein
Mr. Feltus
Mr. O'Connell
Secretary Morgenthau

At lunch today, I reviewed the whole matter of Bretton Woods with Fred Vinson, and told him about the amendments as well as I could. He said he thought it might be a good idea to have these amendments agreed to in the Committee.

175
✓
April 16, 1945

MEMORANDUM FOR THE FILES

(1) There was a meeting today in Clayton's office on reparations. Those attending the meeting included: State - Clayton, Depres and Luthringer; War - General Hill-dring and Robert Lovett; Navy - Downing; FEA - Burns and Fowler; Treasury - DuBois and Glasser

(2) Although no definite decisions were taken at this meeting (there will be another meeting in a few days), on the whole the meeting was very unsatisfactory.

(3) The War Department, with Clayton's support, is attempting to prevent the Reparations Commission in Moscow from making any basic decisions with respect to Germany. The War Department, arguing partially on the basis of the March 23 Directive approved by the President, takes the position that the Control Council in Germany is supreme. Thus in the memorandum which the War Department submitted they state:

"The Reparations Commission clearly should not plan for the removal of facilities, equipment or goods unless the Control Council determines that they are not needed for the support and protection of the occupying forces or to prevent disease and unrest endangering the occupying forces."

What their position amounts to in effect is that nothing can be moved out of Germany unless there is unanimous decision by all four commanders sitting on the Control Council.

This is obviously an effort on the part of State and War to prevent any really effective reparations program.

(4) State and War objected strenuously to Treasury's program designed to permit reparations removals to start as soon as possible. Lovett of War referred to the Treasury program as another version of a program to make a "pastoral" country out of Germany. During the meeting, Clayton expressed himself as favoring the following:

(a) It is in the interest of the United States to have a reparations policy which would make reparations removals "difficult".

(b) It is in the interest of the United States to leave the machinery, plants and equipment in Germany to insure that Germany will be able to export so that she can pay for her necessary imports. Specifically, Clayton mentioned that Germany will have to import cotton in order to make clothes to keep her people from freezing and she should be permitted to have enough exports so as to pay for these cotton imports.

(c) He said that he did not see how we could let anything go out of Germany until we completed surveys to determine what there was in Germany and what could be removed from Germany without destroying the German economy and the basis for the continuation for the German economic system.

(5) In conclusion it may be said that if the basic position taken by State and War on this problem at today's meeting prevails the Reparations Commission in Moscow cannot help but be a complete failure. Clayton's attitude on this whole problem had obviously changed tremendously. Even Depres of State told Glasser and DuBois after the meeting that he was greatly troubled by the trend of events.

Josiah E. DuBois, Jr.

Harold Glasser.

176

- 2 -



OFFICE OF
COMMISSIONER OF INTERNAL REVENUE

ADDRESS ONLY TO
COMMISSIONER OF INTERNAL REVENUE
AND REFER TO

TREASURY DEPARTMENT

WASHINGTON 25

April 16, 1945

MEMORANDUM

TO: Secretary Morgenthau

FROM: Mr. Nunan

The tax drive against irregular currency operations and black market activities has been organized on a nation-wide basis and many angles are in process of development. A large volume of material has been dispatched by the Bureau to the field services including approximately 2,200 OPA violations, 70 Federal Reserve memorandums, and 97 communications from the public, anonymous and otherwise. A list of adjudicated cases of the War Foods Administration is being obtained and it is expected that several hundred violations will be compiled from that source. Many black market liquor cases had been referred by the Alcohol Tax Unit before the drive started and some of these were already under investigation. The field services also have been gathering data locally from Federal Reserve Banks, check cashing agencies, insurance brokers, real estate records and large Western Union money transfers. Real estate activity in resort areas is under scrutiny at Miami and Atlantic City with indications that the examinations should be extended to include other resort areas along the New Jersey coast, particularly in Monmouth County.

In addition to this information the Intelligence Unit has a large number of cases of this kind awaiting investigation. Preliminary progress reports relative to other cases received from ten of the thirty-eight field divisions of the Income Tax Unit and from ten of the sixty-six collection districts show that 501 separate items of information are on hand in those offices awaiting investigation.



Page 2
Memorandum
Secretary Morgenthau

This information has been classified in the field as follows:

Type of Business	Leads in Hands of Int. Rev. Agents	Leads in Hands of Collectors	Total Leads
Liquor	77	96	173
Currency transactions	38	31	69
Produce	3	44	47
Jewelry	3	23	26
Textiles, clothing, etc.	10	13	23
General merchandise	2	17	19
Meat	10	2	12
Machinery	3	6	9
Restaurant	1	8	9
Automobiles	2	1	3
Petroleum products	3	0	3
Scrap metal	3	0	3
Tires	1	1	2
Gambling	1	1	2
Miscellaneous	74	27	101
Totals	231	270	501

The analysis of the 501 leads here shown is the best index so far obtained as to the nature and extent of the cases involved. The tabulation relates to only a small part of the country, and the volume doubtless will be increased proportionately when all reports are received. This condition suggests the conclusion that quantitatively we are reaching a saturation point on leads which will be beyond the capacity of the field forces to handle within a reasonable time. Orderly management of the program will require, I believe, that we begin a careful reappraisal of this data in relation to tax histories of affected taxpayers with the view that our available manpower be directed toward those situations that have the best prospect of immediate development. The largest concentration of information is in New York. A member of Mr. Woolf's staff will visit New York next week to cooperate with officials there in a general survey of the situation and to determine what additional help may be needed to give effect to the objects of the program.

Page 3
Memorandum
Secretary Morgenthau

The second completed case on which the Chief Counsel will be requested to apply special procedure has been received. This case which was begun before the drive relates to unreported black market profits of J. C. Perry and Co. Inc., wholesaler of wines, liquors and groceries in Indianapolis. During 1943, approximately 94,000 cases of whiskey were sold to one Frank J. Clark, Dayton, Ohio, at prices in excess of CPA ceilings, totalling \$172,298.98, which amounts were not recorded on the corporation books or reported in the tax return. Mr. Robert R. Hare, secretary of the corporation, has admitted the receipt of \$168,146.20 of the omitted sales. The examination covered the years 1938 to 1943, inclusive, and while the available evidence will sustain prosecution for the year 1943 only, additional taxes and penalties proposed for assessment against the corporation and its officers aggregate \$537,298.20 for the six year period.

There are enclosed weekly reports received today from field offices. Of particular interest it may be noted that 10 deputy collectors, under the direction of a division zone deputy, have been conducting a survey on fur and jewelry businesses at Boston as an excise tax investigation and with particular attention to the purchasers of expensive items and large cash transactions. A similar drive is to be undertaken by the collector's office at Hartford, Connecticut. There is at the present time one case nearing completion in the Boston District concerning a firm of manufacturing jewelers in which the taxes and penalties will amount to approximately \$270,000.

Mr. McQuillan in his progress report advises that all New York cases received from the Bureau have now been referred to revenue agents in charge and collectors or assigned to special agents. There are a substantial number of check cashing agencies in New York that are apparently being used by taxpayers as a medium for cashing customers' checks apart from the regular business deposits. Such an unorthodox practice gives rise to the suspicion that the proceeds of these cashed checks may be omitted from regular records and income tax returns. This source of information was explored prior to the present tax drive and a record was obtained of 138 taxpayers who had cashed checks in this manner in the aggregate amount of \$2,989,897.23. Four of the most conspicuous of these cases are now under active investigation.

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Memorandum
Secretary Morgenthau

The magnitude of the operation is indicated in the following tabulation showing the names of the taxpayers under investigation and amounts of checks cashed:

<u>Name of Taxpayer</u>	<u>Amount of Checks Cashed</u>
Junior Deb Coat & Suit Co. Inc. New York, New York	\$367,297.79
Stanley Novelty Co. New York, New York	\$336,144.79
Harry Leibowitz New York, New York	\$140,699.86
Fresh Grown Preserves Corporation Lyndhurst, New Jersey	\$ 48,777.57

In the matter of the Fresh Grown Preserves Corporation, it is expected that a special agent's report will be submitted shortly recommending additional taxes in excess of \$1,000,000, and prosecution of the taxpayer. A fifth case now under investigation involving U-Wan-A Wash Frocks, Inc., New York, New York, originated as the result of information developed in the examination of Harry Leibowitz.

A confidential memorandum of the Federal Reserve Bank of New York regarding large currency deposits of Irving S. Weisblum and Company, insurance brokers of New York City, has led to important developments. There was indicated that one of the currency deposits amounting to \$50,000 had been withdrawn from a safe deposit box by an unnamed client of the insurance brokers. Inquiry developed that during May and August 1943 Charles Hoffman deposited \$116,693.49 with Irving S. Weisblum and Company as advance premium payments on the purchase of insurance annuity policies. A further examination of the records of the insurance brokers disclosed that on December 22, 1943, Abner B. Taub made a deposit of \$10,429.50 for the purchase of an insurance policy. Both of these individuals (Hoffman and Taub) are partners in the Gordon O'Neill Company of Jersey City, rectifiers and distributors of alcoholic beverages which firm is under investigation by the Alcohol Tax Unit, the Office of Price Administration, and Internal Revenue Agents. A special agent of the Intelligence Unit will join this investigation in the near future.

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Memorandum
Secretary Morgenthau

While examining the records of the insurance brokers, it was further noted that during September and November 1944, Max Cohen, sole owner of the Art Novelty Doll Shoe Company, Inc., New York, New York, deposited \$63,620 for the purchase of insurance policies. Max and Lena Cohen filed a joint income tax return for the year 1942 in the Second New York Collection District, although inquiries failed to disclose any record of a 1943 return in either the First, Second or Third Collection Districts of New York. A further investigation of this matter will follow.

Information received by the Federal Reserve Bank, New York City, indicated that a number of clients of insurance companies were making large cash payments on account of loans, advanced premiums and annuities. In one instance, it was found that two individuals purchased annuities calling for annual premiums of \$3,000 each and that each paid ten years premiums in advance. A brother of one of the individuals also paid \$1,500 on an annuity. The total payment of \$61,500 in currency was taken to the office of the insurance company in a suitcase.

Thus far the names of forty-five individuals making payments of substantial amounts in currency to various insurance companies have been obtained.

In the Philadelphia Division arrangements have been made to have an agent of the Alcohol Tax Unit photograph the abstracts of deeds of real estate sold in Atlantic City, New Jersey. An analysis of the abstracts indicates that many deeds have been recorded without any or only a portion of the Federal Revenue stamps being affixed. Certain deputy collectors in the collector's office at Philadelphia have been assigned to make confidential inquiries of stock brokers' offices regarding any accounts showing large deposits in cash.

The report from the Detroit Division points out that in the office of the collector at Detroit there were on hand at the end of the week 230 cases and that this was due probably to the reason that they had been engaged on this type of work in a substantial way for at least a year.

The collector at Chicago has assigned 43 deputy collectors to this project. Four of the deputies are assigned to jewelry cases while the others have been instructed to give special attention to retail liquor dealers.

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Memorandum
Secretary Morgenthau

A case under investigation in the Chicago Division involving Crucible Steel Casting Company of Milwaukee, a family corporation which manufactures castings has disclosed various sales made by the corporation which were withheld from the books of account and the proceeds of such sales diverted by the officers. Other irregularities were the recording of fictitious purchases, the paying of substantial bonuses to various employees which they were required to return, personal expenses of the officers charged to operating costs, etc. The amount of income involved in such irregularities for the years 1941, 1942 and 1943 is in excess of \$2,600,000 and will result in the assessing of additional taxes against the corporation and its officers of well over \$2,000,000.

There are also under active investigation in the Chicago Division two other important tax cases involving the suppression of proceeds of sales. One case relates to sales of automotive equipment in which the additional taxes and penalties of the corporation and its principal officer will be in the neighborhood of \$600,000. The other case involves a corporation engaged in the wholesale rubber business. Thus far, omitted sales of over \$200,000 have been identified, the proceeds of which were diverted by the principal stockholder of the corporation.

A case under investigation at New Orleans, Louisiana, involving five brothers who are members of a partnership engaged in the diamond, jewelry and luggage business had an interesting development during the week, in that an inventory of the safe deposit box of the partnership disclosed \$250,000 in twenty dollar bills which had not been reported for income tax purposes. It had previously been determined that two sets of records were maintained; that inventories had been understated and that collections on charge sales amounting to approximately \$1,000 per day were omitted for a period of several months.

In my memorandum of March 30, I mentioned a meeting at your suggestion with Mr. Houghteling of the War Finance Division and Mr. Leo Goodman of the C. I. C., concerning the matter of rewards for information. Mr. Houghteling

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Memorandum
Secretary Morgenthau

has sent me a memorandum and a copy of Mr. Goodman's publication, "Watchwords From Washington" containing an article upon the subject, both of which I quote:

"Leo Goodman, Washington representative of the United Retail, Wholesale and Department Store Employees of America (C.I.O.), whom I brought to your office last week to discuss 'tax cheaters,' has sent me the enclosed two copies of his column 'Watchwords from Washington' which he distributes to the publications of his international unions and other C.I.O. organizations. On page 3 you will note that Mr. Goodman calls the attention of his members to the problem of tax cheating and the existence of Government rewards for citizens who aid the Bureau of Internal Revenue to collect taxes where evasion has been attempted.

"I think this is about as effective a use of labor union cooperation as is possible under existing circumstances."

Excerpt from Watchwords From Washington:

"Government Seeks 'Tax Cheaters'

"Treasury Department efforts to check up 'tax cheaters' such as current drives in Miami will be aided by a provision of the tax law which provides for a maximum of 10% reward to any person offering information leading to collection of unpaid taxes.

"Treasury Department officials reveal that under Section 3792 of the Internal Revenue Code, any person providing information regarding any method of evading taxes is eligible to 10% of the net amount recovered by the government.

"Application for claim for reward (Form 211, Internal Revenue Service, Treasury Dept.) may be secured from the Washington Office of URWDSEA or from any Collector of Internal Revenue. Due to cheating of the government by many in the black

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Secretary Morgenthau

market, it is expected that URWDSEA members and others who handle large sums of money will aid the government by reporting tax cheaters who are not willing to pay their taxes while thousands give their lives at the fighting fronts."

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INTELLIGENCE UNIT

Washington

(Name of Division)

SI

JMC-BPW

Chief, Intelligence Unit,
Bureau of Internal Revenue,
Washington, D. C.

In re: Special Tax Drive,
Narrative Report,
Week ending April 14th

Special Agent Lathen and Internal Revenue Agent Ford have been actively engaged on the investigation of Berry Wright Company. Mr. Wright is to appear in court on Wednesday, the 18th, on a citation of contempt.

Special Agent Kuebler of the Richmond Branch Office has conferred with the Internal Revenue Agent in Charge at Richmond and the Collector at Richmond "at which time tentative plans were made for a coordinated effort in the special tax drive". He is to confer with the Revenue Agent in Charge and the Collector at Greensboro on the 19th, for the same purpose.

Special Agent Kuebler suggests that we have Collectors submit weekly report showing the number of delinquent and amended returns received and the amount of tax so reported.

Special Agent Watson at Huntington, West Virginia, has conferred with the Internal Revenue Agent in Charge at Huntington and with the Collector at Parkersburg and he informs us that a program has been devised which it is believed will accomplish the desired results.

The following is quoted from a communication received from Special Agent Hawk, Baltimore Branch Office:

"During the past week the Collector of Internal Revenue has assigned two deputy collectors, who have been engaged examining the land records of Baltimore City for the purpose of obtaining information concerning the transfer of real estate during the years 1943 and 1944, involving a purchase price of \$10,000.00 or more. In addition he has designated two deputy collectors to



TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

April 16, 1945.



SI-

canvass the larger jewelers and furriers doing business in Baltimore City. Also, one deputy collector has developed what appears to be a fraud case involving a wholesale produce dealer; another has developed an apparent fraud case involving transactions in cosmetics and liquor."

"On April 12, Special Agent Herbstreit interviewed Mr. John A. Meins, in connection with the news item appearing in The Sun on April 7, 1945, a clipping of which is attached. Mr. Meins furnished the names of five large wholesale meat dealers at Baltimore, Maryland, who are alleged to be operating in the black market. Other information was furnished indicating that persons from Pennsylvania, Delaware and New Jersey were purchasing substantial quantities of cattle at Baltimore and shipping same out of the state. The names of these wholesale meat dealers, and the information relating to them was referred to the office of the Internal Revenue Agent in Charge, who has assigned two agents to make appropriate investigation.

"The Internal Revenue Agent's office has received information prepared by the Office of Price Administration concerning known violators of price regulations, and it is expected that a number of substantial cases will result from investigation of some of the persons and firms indicated thereon."

"Special Agent Herbstreit, together with an internal revenue agent, is engaged on an investigation of the income tax liability of Jacob Spevak, who was indicted at Baltimore on April 10, on 243 counts alleging sales of meat in excess of ceiling prices. Newspaper clippings relating to the indictment are attached hereto. Mr. Herbstreit has interviewed several former employees of Spevak and from them obtained information which indicates that during the year 1944 Mr. Spevak received nearly a million dollars overage money on meats sold. This taxpayer has not yet filed his return for the calendar year 1944, having received an extension of time within which to do so. However, I have talked with the taxpayer's accountant, who is preparing the 1944 return, and he advised me that he expected to file the return on or before Monday, April 16th. He stated that he has compiled the figures and that it appears from the information furnished by the taxpayer that during the year 1944 Mr. Spevak derived a net profit from his business of approximately \$45,000.00."

"In his communication transmitting the form reports this week, the Collector of Internal Revenue advised that during the

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period from April 6th to April 12th, inclusive, his office received 420 delinquent income tax returns showing taxes totaling approximately \$222,000.00., and that his office has also received, during the same period, 365 amended income tax returns showing additional taxes totaling approximately \$78,000.00."

J. R. Cox
J. R. Cox,
Special Agent in Charge.

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INTELLIGENCE UNIT

BOSTON

(Name of Division)

DAN:air

Chief, Intelligence Unit
Bureau of Internal Revenue
Washington, D. C.

TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

Boston 1, Mass., April 14, 1945.



In re: Special Tax Drive

This report covers the activities in the Boston Division in connection with the special tax drive for the week ending April 14, 1945.

Up to the present time a large part of the activity has been exploratory with regard to the possibilities of obtaining leads on currency transactions and on black market cases.

Following a suggestion made at the meeting in Washington, inquiries were made from the principal banks in the Boston district and it was ascertained that for the years 1943 and 1944 no records were kept of large denomination bills. Simultaneously the Federal Reserve Bank was contacted and it was ascertained that they had already requested the banks to forward them information regarding suspicious transactions. These, however, will be confined to transactions in the current year and will be valuable only as leads for past years.

A conference was had with Mr. Wilbur Lawson, who not only is Comptroller and Vice President of the First National Bank but is also Chairman of a management committee. The contact with Mr. Lawson was principally to attempt to sell the banks the idea of cooperating. Mr. Lawson is an old friend of mine and after listening to my talk, which stressed the anti-inflation angle as equally, if not more important than the income tax angle, he agreed to attempt to influence the other banking officials and persuade them to give us full cooperation.

Mr. Lawson is at present out of town and is expected to return next week. At that time I will contact him and ask him to have the information channelled through the Federal Reserve Bank, as requested in your letter of April 11, 1945.



In re: Special Tax Drive.

Inquiries were made as to the possibility of obtaining leads through cashiers' and treasurers' checks purchased for cash. This is a matter which will be taken up with the Federal Reserve Bank next week. It would appear that if we can obtain access to the bank's records through the good offices of the Federal Reserve Bank, an important avenue of information will be obtained.

Real Estate

A thorough survey of the real estate situation in and around Boston was made and it was decided to abandon that line as not promising any especially productive cases. The survey, however, has indicated a possible source of information for the future.

Deputy Collectors

For the past week ten deputy collectors under the direction of a division some deputy have been conducting a survey on furs and jewelry in the Boston district. Already some information has been transmitted to other districts regarding sales of jewelry to persons outside the district. Special attention is being given in this drive to obtaining the names of persons purchasing expensive diamonds and mink coats.

Revenue Agents

In the Boston district ten revenue agents were assigned to this office and put to work immediately investigating cases which had been held in this office because of the lack of revenue agents to work with the special agents, and also exploring the possibilities of lists of cash checks obtained from the Pilgrim Trust Company. At present all ten revenue agents are busily occupied. As other revenue agents can be used advantageously, they will be requested from the Revenue Agent in Charge.

Connecticut

A meeting was held at Hartford, Connecticut on Friday, April 13, at which were present eight representatives of the office of the Revenue Agent in Charge, including Revenue Agent in Charge Thomas E. Doyle; three representatives of the Collector's office, including Chief Field Deputy A. Don Bitgood; and two representatives of the Intelligence Unit, including the Special Agent in Charge. The Collector of Internal Revenue at Hartford and his assistant were unavoidably absent in attendance at the funeral of the late Collector of Internal Revenue Fred C. Martin, Burlington, Vermont.

In re: Special Tax Drive.

The meeting was most cooperative. Both the Revenue Agent in Charge and the Chief Field Deputy promised full cooperation and the assignment of as many men as were necessary. It was suggested and decided that the Collector initiate a drive on furs and jewelry, ostensibly as an excise tax investigation but with particular attention being given to the purchase of expensive items and large cash transactions. A drive on small poultry dealers was suggested by the Chief Field Deputy, who said that a preliminary survey had indicated that some of them were making considerable deposits in savings banks, particularly in the southeastern part of Connecticut.

Arrangements were made to have four revenue agents assigned immediately to Senior Special Agent David T. Parker at Providence, Rhode Island and as many revenue agents as are necessary to Special Agent Aquino, who is working out of Bridgeport, Connecticut. Arrangements were also made to have the review of the black market and currency cases made by Revenue Agents Johnson and Kasin who have been working with the Intelligence Unit for a number of years and are thoroughly familiar with fraud cases. Revenue Agent in Charge Doyle promised that after review the cases would be comptonetered and would be given special preference in comptonetering and typing. Revenue Agent in Charge Doyle agreed to my suggestion that a request be made for the appointment of Revenue Agents Kasin and Johnson as Acting Special Agents for the duration of the drive in order that they could assist in the supervision of the fraud cases and, if necessary, write special agents' reports.

Whereas previously the lack of revenue agents has proved the big bottleneck to production in the Intelligence Unit, it appears that at the present time the lack of special agents will be the delaying factor.

Maine, New Hampshire and Vermont

It is planned to visit the Collectors' offices at Portsmouth, New Hampshire; Augusta, Maine; and Burlington, Vermont next week. At that time it is believed that constructive suggestions can be made to the Collectors and Acting Collector which will assist them in understanding and prosecuting the drive.

Cases Nearing Completion.

We have at present one case involving currency which concerns a firm of manufacturing jewelers, in which the taxes and penalties will amount to approximately \$270,000.00 and in which there will be a recommendation for prosecution. The report of the special agent has been written in this case and we are awaiting the report of the revenue agent, which should be received some time next week.

In re: Special Tax Drive.

A black market liquor case is nearing completion in Connecticut. While there will be a recommendation for prosecution in this case, the fact that the taxpayers are already in prison as a result of a conviction of violation of OPA regulations will probably mitigate against the case coming out. However, the case will involve approximately \$1,500,000.00 in taxes and penalties.

The form reports requested throughout this district have not all been received. This is probably due to the fact that the death of the Collector of Internal Revenue in Vermont has interfered, and the other officials have nothing to report. This situation will be cleared up as rapidly as possible and it is hoped that by next week the reports will be received from all the officials concerned.

David A. Kelleher
David A. Kelleher
Special Agent in Charge.



INTELLIGENCE UNIT

Atlanta
(Office of Director)

PES:VE

VIA AIR MAIL

Chief, Intelligence Unit
Bureau of Internal Revenue
Washington 25, D. C.

TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

P. O. Box 4144, Atlanta 2, Georgia
April 14, 1945

In re: Tax Drive
Narrative Report
April 14, 1945

The following information is submitted relative to the progress made and plans effected in connection with the tax drive which was the subject of your letter of April 5, 1945.

Up to the present time organization for the tax drive has been primarily in the formative state. Arrangements have been effected at Miami, Florida to organize a group composed of two each of the following: deputy collectors, revenue agents, and alcohol tax agents. In addition, three special agents at Miami will be connected with the group. A similar group has been formed at Jacksonville, composed of three each of the following: internal revenue agents, deputy collectors, and special agents. Elsewhere in the Sixth District special groups have not been formed as yet but regular assignments have been made of personnel of the various agencies on specific cases.

Weekly reports from the Collectors and Internal Revenue Agents of this district show considerable activity in the tax drive. Enclosed herewith are the weekly reports of Collectors Marion H. Allen, Atlanta, Georgia; Henry J. Willingham, Birmingham, Alabama; John L. Fehs, Jacksonville, Florida; William P. Bowers, Columbia, South Carolina; and Internal Revenue Agents in Charge Ernest P. Hutchinson, Columbia, South Carolina; and William Bruase, Atlanta, Georgia, which reflect the following information:

Cases on hand beginning of week	44
Received during week	17
Reported during week	6
On hand close of week	55



Weekly reports have not as yet been received from Internal Revenue Agents in Charge Harley Howard, Jacksonville, Florida, and Marsh T. Polk, Nashville, Tennessee. It is possible that these will be received by Monday and a supplemental report will be made to include the information they submit.

Form SI-106 covering operations of the Intelligence Unit, Sixth District, is enclosed. It reflects the following:

Cases on hand beginning of week	108
Received during week	10
Reported during week	2
On hand close of week	116

This information does not include the Columbia and Miami offices, reports from which have not as yet been received. A supplemental report will be submitted to cover these omissions.

R. W. Best, Augusta, Georgia, wholesale liquor distributor operating as Richmond Wholesale Liquors, was recently sentenced to serve two years in the penitentiary for OPA violations. It is understood that he is to begin his sentence within two weeks. Information has been reported by Internal Revenue Agent Young, Augusta, Georgia, that Mr. Best is now disposing of his property prior to serving sentence. A joint investigation is contemplated immediately with the view to protecting the Government's interests since we already have considerable information of black market operations by this individual. If it is found to be necessary, a recommendation will be made for jeopardy assessment.

P. E. Sanders
P. E. Sanders
Acting Special Agent in Charge



INTELLIGENCE UNIT

Treasury District No. 7
(Name of Division)

TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

Louisville, Kentucky.
April 14, 1946.



Chief, Intelligence Unit,
Bureau of Internal Revenue,
Washington, D. C.

In compliance with instructions contained in your letter of April 8, 1946, concerning procedure in the investigation of black market and currency cases, there are transmitted herewith form reports submitted by the Collectors of Internal Revenue for the districts of Kentucky and Tennessee, the Internal Revenue Agents in Charge of the Louisville and Nashville divisions, and the form reports required of this office. Due to the fact that this program is in its initial stages and that the heads of some of the agencies listed above may not understand clearly the necessity of submitting forms promptly, some of the required reports have not been received. The heads of the agencies who are delinquent in this respect are being notified, and it is believed that in the future all forms desired will be submitted promptly.

This program was taken up personally with the Collector, the Internal Revenue Agent in Charge, and the District Supervisor at Louisville, and by correspondence with the Collector and the Internal Revenue Agent in Charge at Nashville. After a conference in this office, Special Agent G. M. Wallwork, who is the senior special agent at Nashville, personally contacted Collector Henalee and Internal Revenue Agent in Charge Polk concerning the procedure to be followed.

With reference to personnel, Collector Glenn at Louisville has submitted to this office the names of eight deputies located at various posts of duty throughout the state of Kentucky who may be called upon to cooperate in any investigation which may arise under the contemplated program. Collector Henalee at Nashville, Tennessee, several months ago designated four deputies in that state who could be called on to assist in any fraud investigation, and he has agreed that these deputies shall continue to be subject to call, and that any additional personnel needed will be assigned.

Internal Revenue Agent in Charge Polk at Nashville has designated four revenue agents located respectively at Memphis, Nashville, Knoxville and Chattanooga, who will hold themselves in readiness for any assignment that may be required in connection with this work, and

additional personnel will be made available if necessary. Internal Revenue Agent in Charge Cox at Louisville already has five revenue agents working part time on black market and currency cases, and they will continue to be available as well as any additional agents that may be needed.

District Supervisor E. B. Taylor, Alcohol Tax Unit, has suggested the name of one special investigator who can be used immediately, and he plans to designate other investigators if needed. At the present time a number of his best men are cooperating in investigation of black market liquor dealers with representatives of the Office of Price Administration, and for this reason his ability to furnish assistance at this time is limited.

It is not contemplated that all of the personnel referred to above will be needed at any one time, but favorable distribution has been arranged and the investigation of any cases can be handled with a minimum of travel expense, etc. Although it will require some training, it is believed that the deputy collectors who eventually will work on this program will be a source of valuable assistance because of their distribution and over-all familiarity with conditions in the vicinities in which they are assigned. Collector Glenn at Louisville has issued a form letter to all deputies in his district, wherein he requests that they report the names of any persons or firms who are suspected of having realized substantial profits as result of conditions brought about by the war. Collector Henslee at Nashville will be requested to issue a similar circular letter.

Representatives of this office are now completing the investigation of a group of cases at Henderson, Kentucky, involving operators of slot machines, dice games, and other gambling devices. A similar investigation of a group of numbers operators at Knoxville, Tennessee, and vicinity is being concluded. Both investigations have resulted in the proposal of substantial deficiencies in tax, and the income unreported was for the most part cash that had been received from war workers engaged in the vicinities of Henderson, Kentucky, and Knoxville, Tennessee.

This office has under investigation and pending investigation a number of cases relating to black market liquor operators. Kentucky is one of the leading states in the production of whisky and other alcoholic beverages, and it is contemplated that black market cases will relate principally to liquor.

The jewelry and fur business in Treasury District No. 7 is limited in extent, but Collectors Glenn and Henslee have issued instructions that representatives of their offices are to make such investigation of taxpayers engaged in these businesses as will determine whether any substantial violation of excise tax regulations have

been practiced and, further, whether any leads as to income tax evasion on the part of the dealers or their customers can be developed.

Steps are being taken to contact the sources of information suggested in the notes of the meeting held in the Commissioner's office on March 28, 1946.

W. M. Gray
Wm. M. Gray,
Special Agent in Charge.

WMS:h



INTELLIGENCE UNIT

Detroit

(Name of Division)

ACG:bba

TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

1026 Federal Building
Detroit 26, Michigan
April 14, 1945

Chief, Intelligence Unit
Bureau of Internal Revenue
Washington, D. C.

In re: Special Investigations

There are enclosed herewith reports received from the several offices of Revenue Agents in Charge and Collectors in this District. No reports were received from either the Revenue Agent in Charge or the Collector at Cincinnati up to the time of mailing this report, and rather than delay sending in this report, I have submitted it without those reports. They will probably come in later in the day and will be forwarded as soon as they come in.

In going over the attached reports it will be noted that comparatively little has been done at Cincinnati, Columbus and Toledo due to the fact that I did not get these offices organized and instructed in the program until this week. However, next week should show a considerable improvement in the reports from the respective offices.

The office of the Collector at Detroit is well organized for the work now, as will be noted by the attached report, and this is due probably to the reason that they have been engaged on this type of work in a substantial way for at least a year. They have a fraud squad of approximately ten men, engaged steadily on this work, and it was comparatively easy to set that office up in accordance with our program. However, in the other Collection Districts comparatively little had been done along that line and it has been necessary to select men fitted for this particular work and systematize it along the lines desired. It might be said that there is a large volume of work of this type to be done, particularly in Cleveland, Cincinnati, Columbus and Toledo, and I feel that good results will be obtained.

The experience up to this point has shown that there is a considerable amount of black market cases, but for the most part they are running in small amounts of taxes as to individual cases, particularly

In re: Special Investigations

the black market operators, most of which are in the retail field. It will be seen from the Detroit Collector's report that they have on hand at the end of this week 230 cases covering a wide variety of businesses, and while most of these will not be large individually, yet collectively they will produce a substantial amount of tax as has been evidenced by past experience.

It is believed that the experience of the Detroit office is indicative of what can be expected from the other larger cities in this District, as the same conditions prevail at all of these points.

Within the next week or two it is proposed to make a drive on retail grocers and meat markets, where it is believed a considerable amount of income tax has been evaded where there have been black market violations. I have obtained information from the local C. P. A. offices of individuals who have been violating C. P. A. laws and have been penalized by that office. Taking such cases as a start, it is intended to follow through with a fair sampling to ascertain what can be done with respect to their income tax liabilities. As a result of the check being made of excise taxes in the Detroit area, several good income taxes are now being developed among the furriers. There seems to be considerable excise tax evasion among the fur people and undoubtedly a fair percentage of tax cases will be developed from this source also.

A. C. Grunewald
A. C. Grunewald
Special Agent in Charge



INTELLIGENCE UNIT

CHICAGO
(Name of Division)

APR-1948

TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

Chicago 90, Illinois

April 14, 1948



Chief, Intelligence Unit
Bureau of Internal Revenue
Washington, D. C.

This is the third weekly report covering the so-called black market income tax investigations.

The Federal Reserve Bank in Chicago has thus far furnished no information regarding currency transactions at member institutions. It reiterated on April 11 that it would communicate with this office promptly upon receipt of any information of interest. The outlook under the present plan is not encouraging, in view of the fact that considerable time has now elapsed since the transmission of the Under Secretary's telegram.

The Office of Price Administration in Chicago had agreed to furnish a list of selected cases on April 13. The matter has been delayed and assurances are now given that the information will be furnished early in the coming week.

Collector of Internal Revenue Nigel D. Campbell has assigned forty-three deputy collectors to this project. The Assistant Chief of the Field Division is in immediate charge of their work and he will, in turn, report to this office. Ten of the deputy collectors will be employed in five divisions outside of the City of Chicago. Four of the deputy collectors employed in Chicago are assigned to jewelry cases. All of the others, both inside and outside of Chicago, have been instructed to give special attention to retail liquor dealers. They have been instructed to concentrate, to a somewhat lesser extent upon retailers of moderate size in other fields, especially those dealing in foods.

The plan outlined in the preceding paragraph is somewhat in the nature of an experiment. Its expansion, contraction or modification will depend upon results in the early stages. However, it has had careful thought and there is reason at this time for some optimism.

The entire fraud division in the office of the Internal Revenue Agent in Charge, consisting of thirteen agents, is already engaged upon work which falls well within the scope of the Department's instructions, as they are viewed here. Apparently it will be necessary shortly to assign additional internal revenue agents to this project, who have heretofore had little or no experience in the investigation of fraud cases. That would already have been done if it had been known that there would be delay, and perhaps failure, to procure information from the Federal Reserve Bank.

The Collector of Internal Revenue at Springfield, in this project, has arranged to assign six deputy collectors to excise tax work and six to income tax work. In the beginning, at least, they will give special attention to cabarets, retail liquor dealers, restaurants and retailers of foods. A particular effort will be made in Peoria, which is the largest city in the collection district. The Collector, on April 12, had not yet received instructions from Washington, but he agreed, nevertheless, to proceed.

The Internal Revenue Agent in Charge at Springfield is assigning six internal revenue agents to cases reported by the Office of Price Administration. A seventh internal revenue agent, for a considerable period, has been employed upon an involved income tax case which includes several individuals who are looked upon as the leaders in the "outlaw" liquor traffic in down-state Illinois. A special agent has been employed upon the same assignment for a similar period.

No report in detail has been received regarding plans of the Collector of Internal Revenue at Indianapolis. A conference was held in Chicago on April 11, with the senior special agent from the branch office of the Intelligence Unit at Indianapolis. He said that the Collector would undoubtedly proceed with vigor and enthusiasm. It is expected that the plans of the Collector will be available for outlining in the next weekly report.

No detailed information is now available regarding the plans of the Internal Revenue Agent in Charge at Indianapolis. The senior special agent at the conference referred to above stated that the Internal Revenue Agent in Charge had advised him that he would cooperate in the project to the limit of available facilities. Attention may here be directed to the fact that the case of J. C. Perry and Company, Inc. (SI-21380-F), concerning which the report has already been submitted, was investigated jointly. There are other cases within the scope of the so-called black market program now under investigation in the

State of Indiana. The Gas City Transfer Company, Inc., (SI-20989-F) is one of them. The Gary Wine and Liquor Corporation (SI-22212-F) is another.

The Collector of Internal Revenue at Milwaukee had received no instructions from Washington until yesterday. The senior special agent held a conference at the Collector's office yesterday afternoon. Details covering the plans for the Collector's work are not yet available.

The Internal Revenue Agent in Charge at Milwaukee has assigned Internal Revenue Agent Alex Himmelman to directly supervise the work to be performed by his office on this project. It should be stated that Agent Himmelman is an experienced officer of outstanding ability, and that satisfactory results are virtually certain to follow his efforts.

It is expected that in the next weekly report it will be possible to outline the plans of both the Collector and the Internal Revenue Agent in Charge at Milwaukee.

In the following, there is set forth information regarding cases to which reference has been made in previous reports and information regarding cases to which no reference has heretofore been made.

Gas City Transfer Company, Inc., Walter J. Lowe,
President, Gas City, Indiana. SI-20989-F

This case relates, in part, to unreported income from sales of automotive equipment, such as tractors and semi-trailers, possibly in violation of prices established for such equipment by the Office of Price Administration. It also relates to unreported income received by Mr. Lowe, as reflected by currency transactions in which he was involved during 1943 and earlier years.

The examining officer has completed schedules covering the income tax liability of the corporation and of Mr. Lowe. At this time, those schedules reflect additional taxes and penalties against the corporation in excess of \$367,400. They likewise reflect additional taxes and penalties against Mr. Lowe in excess of \$264,600.

The senior special agent at Indianapolis, in a communication addressed to this office on April 12, states that the report in this case will be submitted about May 10.

Michael Potson, et al., Chicago, Illinois. SI-19562-F

Mr. Potson owns or controls practically all of the capital stock of the 2126 South Wabash Restaurant corporation, which operates a saloon, night club and restaurant, known as "Colosimo's." He has been in that business for many years. The establishment is located in the heart of the old tenderloin district of Chicago. It has had a rather bad reputation, despite the fact that included among its patrons are many persons of respectability. Mr. Potson, himself, has had a bad reputation.

The investigation of this case was conducted over a long period. The books and records are inadequate and much of the information necessary in the determination of income tax liability has had to be procured from outside sources at widely separated points.

The examining officers' reports are now being processed in the office of the Internal Revenue Agent in Charge. The taxes and penalties which will be recommended for assessment in Mr. Potson's individual case approximate \$384,000. Taxes and penalties in excess of \$40,000 will be recommended for assessment against the 2126 South Wabash Restaurant Corporation. A substantial portion of the deficiencies will rest upon the years 1941 to 1943, inclusive. It is the intention of the special agent to recommend prosecution, and this office probably will concur in that recommendation.

This case appears to fall well within the outlines of the typical case in which the Department is now especially interested. Evidently Mr. Potson has derived large profits out of the operations of his business during the high spending years. He has acquired properties of substantial value, which evidently represent the investment of profits enjoyed during recent years. The explanation of Mr. Potson, thus far, is that his present assets result from conversions of assets in his possession many years ago. As an offset, the government is able to show that numerous judgments were taken against Mr. Potson in the local courts during periods when, he now says, he was possessed of capital in large amounts. There is other evidence of similar character which appears to support the contention that the property now owned by him results from recent years' profits.

Amazon Ross and Rubber Company, Harry E. Jacoby,
President, Chicago, Illinois. SI-22112-F

In the report of April 7, it was stated that Mr. Jacoby had made the assertion that suppressed proceeds of sales to the United States Rubber Company would aggregate an amount between \$100,000 and \$180,000.

It was also stated that the agents engaged upon the investigation were inclined to believe that Mr. Jacoby's estimate was too low. It may now be stated that data procured during the week from the New York Division disclosed that suppressed proceeds of sales to the United States Rubber Company for a portion of 1941, and for all of the years 1942, 1943 and 1944, exceed \$192,000. Diversions of proceeds of sales, apart from those made to the United States Rubber Company, have been identified to the extent of approximately \$12,500. The Chicago internal revenue agent, to whom reference was made in the last report, has returned from Miami. While he was in Miami, among other things, he examined Recordak bank films. He furnished data covering a large number of checks which Mr. Jacoby cashed or deposited in Florida. The names of the makers of the majority of those checks are not on the books of the Amazon Hose and Rubber Company, and the agents employed upon the investigation are entirely unfamiliar with them. It appears, for the most part, that the checks represent diversions of proceeds of sales.

This case is unique in several respects. Among other things, it may be said that a case is rarely, if ever, encountered, wherein so high a percentage of proceeds of corporation sales have been diverted to a stockholder. There can be no doubt regarding the suitability of the evidence in this case for prosecution. The evidence already at hand would amply support a prosecution. If it is desired, a summary report can now be written. It appears best, however, to go forward with the investigation, which now has for its principal objective the identification of additional diversions of proceeds of sales. It is difficult to state how much time will yet be consumed if the investigation of this case follows the customary lines. It is altogether unlikely that any such concentration of diversions of proceeds of sales will be found elsewhere as has been found with respect to sales to the United States Rubber Company.

J. C. Perry and Company, Inc., et al.,
Indianapolis, Indiana. SI-21330-F

In the report of April 7, it was stated that the file in this case would go forward to Washington at a date early enough to permit of its consideration in the Office of the Chief Counsel on April 9, or immediately thereafter. The case was, as a matter of fact, delivered in Washington in the mail of April 9.

Crucible Steel Casting Company, involving
W. W. Lange, F. A. Lange, Jr., A. C. Lange,
Milwaukee, Wisconsin. SI-20923-F

Reference has heretofore been made to this case. There is attached a status report, dated April 13, 1945, addressed to this office by Special Agent Paul T. Rheume. That report was written solely for the

information of this office and with the intention that its contents would be summarized for inclusion in the weekly report. Time is now at a premium and rather than to attempt to summarize the status report, it is deemed advisable to forward it in its entirety.

G. P. Madden
G. P. Madden
Special Agent in Charge

Enclosures:
Status Report



INTELLIGENCE UNIT

CHICAGO

(Name of Division)

SI-FOO65-P

Special

Final



TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

931 Empire Bldg.
Milwaukee 3, Wisconsin
April 13, 1945Special Agent in Charge
Intelligence Unit
Treasury District No. 9
Chicago, IllinoisIn re: Crucible Steel Casting Company,
involving W. W. Lange,
F. A. Lange, Jr.,
A. C. Lange,
Milwaukee, Wisconsin
Income tax: 1941 to 1943, in-
clusive.

This report relates to a condensed summary of the findings and salient features relating to alleged evasion of income and excess profits taxes by the above-named corporation, involving the above-named individual officers for the years 1941 to 1943, inclusive.

HISTORY OF CORPORATION AND THE LANGE FAMILY

The corporate enterprises controlled by the Lange family originated with Frederick A. Lange, Jr., now deceased, the father of the above-named individuals who are brothers. The Crucible Steel Casting Company, whose business consists in the manufacture of steel and other castings, is the principal corporate taxpayer involved in this investigation, although two other concerns, namely the Gulf Securities Holding Corporation (a Florida corporation) and the South Side Lalleable Casting Company, are also involved to the extent that they were used in certain manipulations resulting in the benefit of the Crucible Steel Casting Company and to the individual officers thereof. South Side Lalleable Casting Company has not been in operation since 1938, and although its corporate structure still exists, it has for all practical purposes been liquidated. The Gulf Securities Holding Corporation is a personal holding company which owns the common stock of the Crucible Steel Casting Company. The individual members

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of the Lange family, in turn, own the common stock of Gulf Securities Holding Corporation. For the years 1941 and 1943 corporate income tax returns were filed by Crucible Steel Casting Company. For the year 1943 a consolidated corporate income tax return was filed in the name of Gulf Securities Holding Corporation, which included the income of Crucible Steel Casting Company.

During the years under investigation, each of the above-named individuals were officers of the principal taxpayer corporation. Mr. Albert C. Lange, known as A. C. Lange, who is married, was the president of the corporation, and his principal duties related to the production end of the business. Mr. Fred A. Lange, known as F. A. Lange, Jr., was treasurer and purchasing agent for the corporation. He is unmarried, having been divorced from his former wife. Mr. Walter A. Lange, known as W. W. Lange, was the secretary of the corporation. He is married and has no dependents.

For many years there has been a bitter feeling of animosity between the now living members of the family, in which W. W. Lange and F. A. Lange, Jr. are aligned against A. C. Lange and Mrs. Carrie Lange Herzberg, a sister. This feeling exists principally by reason of the fact that, upon the father's death, his fortune, consisting principally of the common stock of the Gulf Securities Holding Corporation, was left almost exclusively to W. W. Lange and F. A. Lange, Jr. Consequently, A. C. Lange and Mrs. Carrie Lange Herzberg were dependent almost entirely upon the whims of W. W. Lange with respect to having any participation in the operations of these corporations as means of making their livelihood.

All three of the Lange brothers have a general reputation of being "play boys" and are well known to the "sporting and gambling" element. They have always lived extravagantly and beyond their financial means. They have an unfavorable reputation for their associations with other women. In this connection, W. W. Lange was involved in a case in Milwaukee of contributing to the delinquency of two minor girls. In another instance, a suit was entered against him for damages in the amount of \$100,000 by a seventeen year old girl, who alleged that he seduced her by means of promise to marry and false representations, kept her at an apartment hotel in Chicago where he lavishly provided for her, in addition to giving her other expensive gifts, at a time when he was already married.

W. W. Lange is an inveterate gambler on horse racing and made daily wagers in huge amounts with various "bookmakers" throughout the country. In 1933 he purchased a string of race horses, which

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he entered in races at various tracks throughout the country under the name of Royal Palm Stables. It has been ascertained that in 1963 alone he made wagers with various "bookmakers" exceeding \$1,000,000. He appears to have been extremely fortunate in this business, however, for the net results from these wagers resulted only in net losses of approximately \$22,000.

The corporation's officers, excepting A. C. Lange, utterly failed to cooperate during the investigation, and placed every conceivable opposition in the way of the examining agents. W. H. Lange particularly influenced many of the witnesses, mostly employees of the corporation, not to cooperate with the examining agents, and induced them to give testimony which borders on perjury. If not actually so. He did likewise with certain outside witnesses with whom the examining agents had contact.

BRIEF SUMMARY OF INVESTIGATION

The investigation of this case is nearing completion. The remaining work to be done consists of that of an accounting nature by Internal Revenue Agent Laurence Sakatash in setting up detailed schedules of various adjustments to be made to corporate and individual incomes, and the writing of what will be, in ordinary procedure, lengthy and detailed reports by the Internal Revenue agent and me. A summary of the understated income on the part of the corporate taxpayer, Crucible Steel Casting Company, thus far determined is as follows:

Suppressed sales	\$ 336,620.01
Fictitious purchases	10,115.45
Salaries and bonuses of "key men" or foremen and certain office employees	157,127.13
Supplemental factory pay rolls	56,271.00
Personal expenses of officers and employees, and expenditures for capital items charged to operating expenses	663,547.11
Petty cash expenditures	60,000.85
Total	\$2,293,481.55

The additional tax due from the corporation, as a result of the above understatement of income, has been roughly computed to be \$1,546,000. In addition to the tax due from the corporation, there will be additional taxes approximating \$1,000,000 due from its officers and approximately twenty-six employees of the corporation, all of whom are involved in a general conspiracy to

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evade taxes resulting from their fraudulent acts. The additional tax due from the individuals results from their failure to report, on their individual returns, the income diverted from the corporation.

The scope of the investigation consisted of a detailed examination of the books and records of the Crucible Steel Casting Company and of firms and individuals who transacted business with that company. It also consisted of the obtaining of testimony from approximately eighty individuals, including officers, employees, and outside parties who had transactions with the corporation, and voluminous photostats of fraudulent documents have been obtained.

The investigation ascertained voluminous manipulations and flagrant fraudulent transactions of huge proportions. Large sums of currency were involved in these manipulations, such of which passed through the personal bank account of W. H. Lange. The nature of operations and the basic evidence relied upon to prove fraud are hereinafter briefly and separately discussed under the following captions:

Suppressed Sales

The suppressed sales involve seven customers of the corporation and the manipulations in withholding these sales from records of Crucible Steel Casting Company were accomplished by withholding the invoice billings to these customers in a separate file. When payment therefor was received, the proceeds were deposited in the bank account of Gulf Securities Holding Corporation. Withdrawals in the same amount were then diverted from that account to the individual bank account of W. H. Lange. He, in turn, withdrew similar sums from his account, some of which was traceable to his personal use, while the larger portion thereof was withdrawn in currency.

Fictitious Purchases of Scrap Steel

During the years 1961 to 1963, inclusive, there is recorded on the corporation's books fictitious purchases of scrap steel in the amount of \$25,750.36 from the Arnovits Iron and Metal Company, Milwaukee. Mr. Louis Arnovits, principal officer of that concern, has testified, under oath, that no scrap metal was delivered by his concern covering these purchases. Altogether, thirty-eight separate payments are involved whereby Louis Arnovits furnished W. H. Lange with a false invoice for these purchases. Checks therefor were issued by Crucible Steel Casting Company. Louis Arnovits endorsed the checks and cashed them, and returned the

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proceeds to W. W. Lange. After commencing the investigation, W. W. Lange approached Mr. Arnovitz and attempted to have him file amended income tax returns for the Arnovitz Iron and Metal Company, and report these items as sales on that corporation's Company, and report these items as sales on that corporation's amended returns, which had not previously been reported, in order to substantiate the false purchases recorded on the books of the Crucible Steel Casting Company. W. W. Lange offered to pay the additional tax resulting from the amended returns to be filed by the Arnovitz Iron and Metal Company. Although already involved in the transactions, Mr. Arnovitz refused to acquiesce to Mr. Lange's request. With regard to these fictitious purchases, W. W. Lange claims that they represented actual purchases of "black market" aluminum which he attempted to cover up by recording them as purchases of scrap steel. Mr. Arnovitz denies this, and quite an extensive investigation made by investigators of the War Production Board apparently failed to substantiate Mr. Lange's claim that "black market" aluminum was delivered for these payments.

There is recorded on the books of the Crucible Steel Casting Company in 1942 a total of nine checks aggregating \$11,775.10, representing fictitious purchases of scrap steel from the Price Iron and Steel Company, Chicago, Illinois. Sales in the like amount are not recorded on the books of Price Iron and Steel Company, and testimony has been obtained that purchases in the amounts designated were not made by Crucible Steel Casting Company.

Shortly after the start of this investigation currency in the amount of \$11,775.10 was restored to the corporation by W. W. Lange. He stated that this sum was found in an envelope in the company's vault and represented money set aside for Price Iron and Steel Company when raw material was hard to obtain. Similar fictitious purchases from the United Iron and Metal Company, Milwaukee, in the amount of \$7,781.00, in 1941 and 1942, are recorded on the books of Crucible Steel Casting Company. Currency in a like amount was restored to the corporation after the investigation was in progress.

Salaries and Bonuses of "Key Men" or Foremen and Certain Office Employees

The foremen or supervisors of various departments of the corporation are designated as "key men". During the years 1940 and 1941 the base pay of these individuals ranged from \$2,000 to \$3,000 annually. During the years 1941 and the early part of 1942, large quarterly bonuses were allegedly paid to these individuals. The

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bonus checks, in practically all instances, were endorsed by the individuals, but were then turned over to George Randall, accountant for the corporation, and who is a brother-in-law of W. W. Lange, and he (Randall) cashed the checks. Effective August 1, 1942, the corporation discontinued its alleged bonus policy and allegedly increased correspondingly the base pay of these individuals, and thereafter all salary payments were made in currency. The increased pay of these individuals ranged from \$15,000 to \$19,000 annually. It is admitted that substantial sums of money were left by each of these employees with George Randall for purported safe-keeping. At the end of each year, Mrs. Crystal Biedrich, personal secretary of W. W. Lange, prepared the federal and state income tax returns of each of these individuals and all of their individual income taxes were paid for allegedly from the funds held by George Randall, and the copies of each of their personal returns were retained by George Randall. The foreman had organized a Foreman's Welfare Association, and the records of that organization show that, during the years 1941 to 1942, inclusive, an aggregate amount of \$130,000 was returned to W. W. Lange by the individual foremen. This money is alleged to represent personal loans made to W. W. Lange, for which he is purported to have given his personal notes, although the money he personally retained was supposed to have been reinvested in the corporation. The foremen were supposed to receive therefor stock in the corporation at some future date. No accounting was ever made by George Randall to the individuals for the huge sums he allegedly retained or expended for them.

Included in the office pay rolls of the corporation were aggregate payments to Mrs. Carrie Lange Hersberg in the amount of \$3,125.00, and her two daughters, Beatrice June Hersberg in the amount of \$1,625.00 and Bernice June Hersberg in the amount of \$5,450.00, and W. W. Lange's father-in-law, Joseph I. Safenstein, in the amount of \$10,117.00. These individuals performed little or no services whatever for the corporation.

Supplemental Factory Pay Rolls

Approximately seven hundred employees are employed in the factory of Crucible Steel Casting Company, and all payments to wage earners in the plant are paid by check. However, included on a supplemental factory pay roll was a list of employees of Mr. John W. Jungbluth and Mr. August B. Friege, both of whom are general construction contractors. The employees of Mr. Jungbluth were engaged solely in the construction of an apartment building taken over by W. W. Lange and in the construction of the personal

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residence of W. W. Lange and the personal residence of P. J. Lange, III, a son of W. W. Lange, and another residence for one of the foremen of the company. The employees of Mr. Triegel were engaged principally in new construction work at the plant. In addition to the above, there was included on the factory pay roll the wages of domestic employees of W. W. Lange and P. J. Lange, Jr. It also included wages paid to several individuals who raced horses for those two officers. All of the wage payments on the supplemental factory pay roll were charged to operating expenses of the corporation.

Personal Expenses of Officers and Employees, and Capital Expenditures

There are charged as operating expenses of the corporation thousands of items representing personal expenses of its officers and employees. Some of the items included in this category are as follows:

- Personal clothing.
- Medical, dental, and hospitalization expense for members of employees' families, including maternity care and birth of children.
- Liquor and groceries.
- Airplane trips for foremen's wives.
- Hotel and summer resort expenses for employees' families.
- Guns, cameras, garden tools, outboard motors, boats, and sporting equipment.
- Personal effects, including perfume and jewelry.
- Fire and personal life insurance premiums.
- Household furnishings.
- Personal attorneys, architects and landscaping services.
- Fuel oil and coal for personal residences.
- Purchase of personally owned real estate (land).
- Construction of personal residences and an apartment building.
- Construction of buildings and fences at polo field.
- Painting and erecting improvements to personal residences and farm.

In numerous instances the individual or firm who performed the personal service for the individual officer or employee of Crucible Steel Casting Company submitted, to the proper recipient, an invoice describing the current nature of the work performed. These correct invoices were returned and requests made for new invoices which would falsely describe the work as having been performed at the foundry plant of Crucible Steel Casting Company.

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The false invoices were furnished at the request of the officers of Crucible Steel Casting Company, and upon their receipt were recorded on the corporation's books as current operating expense of the corporation.

In addition to the above, the corporation made substantial improvements to factory buildings, constructed new buildings, and purchased large amounts of new machinery and equipment for its foundry plant, which were charged on its books as current operating expense of the business.

Petty Cash Expenditures

During the years involved there was expended from the petty cash fund of the corporation the sum of \$651,147.90. This amount represents the purported travel expense of the officers and "key men" of the corporation. Each of these individuals submitted an expense voucher every month. These represented only memorandum slips of paper, upon which was claimed an amount allegedly spent for travel to various destinations throughout the country. Of the total petty cash expenditures W. W. Lange alone expended the sum of \$225,056.07. Many of the monthly expense accounts of the individual "key men" have been found to be false and fraudulent in that it has been ascertained in instances that they were in Milwaukee at the time they were alleged to have been elsewhere in furtherance of company business, for which they claimed travel expenses. In one instance alone, Mr. Frank Skoczek, who is foreman of the scrap steel department, submitted expense accounts during the months of August and September, 1942, wherein he claimed substantial travel expense to Washington, D. C., Chicago, Illinois, Green Bay and Kaukaun, Wisconsin, and Tiffin, Ohio, at a time when he was confined to a Milwaukee hospital with a serious ailment. Many other instances of this type of fraud have been obtained. Many of the individual foremen admitted, in their testimony, that they did not make some of the trips for which they submitted expense reports, and that some of the trips, the expenses for which were charged as operating expenses of the corporation, were of a personal nature. As another example, Mrs. Crystal Diedrich, personal secretary to W. W. Lange, claimed travel expenses for many trips allegedly made to the Chicago office of the corporation, allegedly in furtherance of company business. Evidence has been obtained which indicates that she has never been in the Chicago office of the corporation. With respect to the petty cash expenses of employees and officers, and particularly W. W. Lange, these memorandum vouchers include huge amounts for entertainment at night clubs, liquor, hostesses, and wagers made at various race tracks throughout the country.

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CONCLUSION

From the foregoing evidence, it is concluded that an enormous fraud has been perpetrated on the Government in the attempted evasion of income and excess profits taxes due from Crucible Steel Casting Company for the years 1941 to 1943, inclusive, as well as an attempted evasion of income taxes on the part of its individual officers and certain of its employees. It is further concluded that the evidence obtained is so clear, convincing and overwhelming with respect to fraudulent acts that there is no doubt but that a successful criminal prosecution in this case could be sustained if such proceedings are instituted. A recommendation for the institution of criminal proceedings against certain officers and employees of the Crucible Steel Casting Company will be made in my final report.

This communication is transmitted to you in order to fully acquaint you with the status of the investigation, in accordance with the instructions issued in connection with the current drive designed to detect and investigate tax evasion on the part of individuals resorting to cash transactions in the conduct of their business enterprises.

Paul F. Phelan
Paul F. Phelan
Special Agent



INTELLIGENCE UNIT

Dallas
Office of Internal Revenue

PERSONAL

Chief, Intelligence Unit,
Bureau of Internal Revenue,
Washington, D. C.

TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

Dallas, Texas, April 14, 1945.



In re: Black Market and Cash Operations

On receipt of your instructions I communicated with the Collectors at Austin and Dallas, Texas, New Orleans, Louisiana, and Jackson, Mississippi. The Internal Revenue Agents in Charge at Dallas and New Orleans were also communicated with. For the present our only activity has been to request the various Collectors and Internal Revenue Agents in Charge to cause a survey to be made in their respective areas with view of cataloging the approximate number and type of cases that may be expected to be developed.

Mr. B. W. Wilde, Internal Revenue Agent in Charge, Dallas, has reported that his office has not discovered any black market or currency cases that have not been reported to this office. A similar report was received from the Collector for the Second Collection District of Texas. No reports have been received from the other offices other than that a survey is being made. Therefore, it is contemplated that a more comprehensive report will be submitted next week-end.

Attached is the report required to be submitted on Form SI-101 of black market and cash operation cases completed and reported on by this office prior to April 2, 1945, showing taxes recommended in the amount of \$505,421.62 and penalties aggregating \$321,560.79. The report required to be submitted on Form SI-106 is also attached, however, all the cases listed thereon were on hand in this division and were either under active investigation or investigation proposed prior to the receipt of your letter dated April 5, 1945.

Special Agent Harold B. Holt reported an interesting development in connection with the Canal Loan and Jewelry case that developed yesterday. He stated that he had inventoried the safe deposit box of that partnership and found \$250,000 in twenty dollar bills that were not reported as taxable income.



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Special Agent Anderson has practically completed the investigation of Hal V. Patton, exchange broker at El Paso, Texas. According to available information, Mr. Patton reported substantially all of his profits from this venture.

Special Agent George A. Collin commenced his investigation of Alex Steinberg, et ux. Mr. Steinberg filed amended declaration and reported and paid additional tax in the amount of \$272,000.

This report is being curtailed on account of the President's death and it is now noon.

James E. Cooner
JAMES E. COONER
Acting Special Agent in Charge

STANDARD FORM NO. 64

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Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. Nunan, Commissioner of Internal Revenue

DATE: April 5, 1945

FROM : James L. Houghteling

SUBJECT:



Leo Goodman, Washington representative of the United Retail, Wholesale and Department Store Employees of America (C.I.O.), whom I brought to your office last week to discuss "tax cheaters" has sent me the enclosed two copies of his column "Watchwords from Washington" which he distributes to the publications of his international unions and other C.I.O. organizations. On page 3 you will note that Mr. Goodman calls the attention of his members to the problem of tax cheating and the existence of Government rewards for citizens who aid the Bureau of Internal Revenue to collect taxes where evasion has been attempted.

I think this is about as effective a use of labor union cooperation as is possible under existing circumstances.

WATSON WORDS FROM WASHINGTON

VOL. II, No. 3
March 29, 1945

A Column of News from Washington for UNITEDEA Members

by
Leo Goodman, Washington Representative,
UNITEDEA-CIOSEE HERE, MR. MAY

Eric Johnston, President of the U. S. Chamber of Commerce, has joined with Phil Murray and William Green in announcing a new charter for labor and management.

The charter consists of seven points, including high wage rates, full employment, advancing standard of living, social security, foreign trade, and enduring peace.

The most specific section relates to labor's rights. The charter states:

"Fundamental rights of labor to organize and to engage in collective bargaining with management shall be recognized and preserved..."

One leading member of the U. S. Chamber of Commerce and bound by this statement of policy is Mr. M. J. May who controls the May Department Stores throughout the United States. Mr. May continues to oppose organized labor in his many stores.

In the Famous-Barr Store in St. Louis, Mo., an election case has been pending since 1943. The company has been found guilty of unfair labor practice.

Can Mr. May continue active in the U. S. Chamber of Commerce and at the same time ignore the public policies it supports?

HAM MISSING

It may be that Mr. May likes Sewell Avery will join Ira Mosher, President of the National Association of Manufacturers, who failed to sign the statement although, according to press reports, he had participated in the negotiations leading to its preparation.

Mr. Mosher said it is time to "get down to cases".

He did state that "the seven principles that make up the so-called charter are generalities on which there is already wide agreement."

REILLY SHOWS SOME COLOR

The wide agreement referred to by Ira Mosher was broken by URS member Gerard Reilly who the day before issued a dissenting opinion covering the touchy problem of foreman's rights under the protection of the National Labor Relations Act. Mr. Reilly has always taken the position that foremen should not be granted the protection of the Wagner Act. His decision in the Maryland Drydock Case resulted in widespread strikes throughout the midwest as management took advantage of this decision to harass associations of foremen who attempted to protect the working conditions of their members.

(MORE)

VOL. II, No. 3 - 3/29/45 - page 2.

In the Packard Motor Car Co. case the majority of the board specifically overrules Mr. Reilly's policy.

This action brought out Mr. Reilly's true colors. In a vicious dissenting opinion which was immediately condemned by President Philip Murray, Mr. Reilly in effect calls upon Congress to amend the Wagner Act "to confer upon the board the same judicial processes against recalcitrant labor unions which it now possesses in regard to disobedient employers."

As this column has repeatedly contended, this proves that Mr. Reilly is not a fit person to administer the purposes and policies enunciated by Congress in the adoption of the Wagner Act.

HAM PLANS POSTWAR PRICING

One of the cases Mr. Mosher wants to get down to relates to post-war pricing policy. In a special bulletin of the HAM News, entitled "Post-War Preparation", Ira Mosher called upon government to lift the ban on talk of reconversion. The parallel article, entitled "Reconversion Pricing Engages HAM Attention", did so without waiting for government permission. In effect, the article called for an immediate sensible advance in prices of civilian goods in preparation for post-war production.

PRICE CONTROL OR PROFIT INSURANCE?

There is increasing evidence that the policies of the present administration of the CPA are more concerned with assuring high profits than bringing about effective price control.

Instead of campaigning for a good price control program, Chester Bowles has spent a good part of the past few months campaigning for the post as head of the coming reconversion program. As a former advertising agent (he is the Bowles of Benton & Bowles, advertising agency for big industry), Bowles believes in publicity (for himself). He has neither the background, nor knowledge regarding production problems in this country, nor the commonsense needed to head the vital reconversion program which is necessary to prevent chaos when the war program ceases.

MURRAY ATTACKS LACK OF PLANNING

Philip Murray on each possible occasion points up the fact that government agencies to date have not developed any plans to bring about orderly reconversion from war-time production to peace-time production.

Proposed economy of 60 million jobs after the war continues to be "pre-election promises".

Major cutbacks are coming soon no matter what the developments in Europe.

WOLOCH DEMANDS PIGSKIN PROGRAM

In support of congressional proposals that all pigskin be tanned as a means of ending the leather shortage, President Woloch and Executive Board members Lowenthal and Simon have urged New York City delegation in Congress to support Congressman Rogers' proposals that the skins of the hogs

(MORE)

VOL. II, No. 2 - 3/29/46 - page 3.

slaughtered in federally inspected slaughterhouses be saved for tanning as leather. This program would provide enough leather for 300 million pairs of shoes and leave some for manufacture of industrial belts, baggage and gloves, all essential in the war effort and necessary to maintain our civilian economy. Farmers Union and other progressive organizations have rallied to support of this program and will demand that it be instituted as soon as possible.

UNION IN WORLD AFFAIRS

Martin Ryne, Executive Vice President of the UNWDEA, presently on assignment in London under orders of CIO President Philip Murray, has made contact with the National Union of Distributive and Allied Workers in England. The Union's official organ "The New Dawn", issue of March 10, 1946, carries a feature article regarding his appearance before a meeting of the London branch of that body.

GOVERNMENT SEEKS "TAX CHEATERS"

Treasury Department efforts to check up "tax cheaters" such as current drives in Miami will be aided by a provision of the tax law which provides for a maximum of 10% reward to any person offering information leading to collection of unpaid taxes.

Treasury Department officials reveal that under Section 3792 of the Internal Revenue Code, any person providing information regarding any method of evading taxes is eligible to 10% of the net amount recovered by the government.

Application for claim for reward (Form 311, Internal Revenue Service, Treasury Dept.) may be secured from the Washington Office of UNWDEA or from any Collector of Internal Revenue. Due to cheating of the government by many in the black market, it is expected that UNWDEA members and others who handle large sums of money will aid the government by reporting tax cheaters who are not willing to pay their taxes while thousands give their lives at the fighting fronts.

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INTELLIGENCE UNIT

New York
(Office of Director)

NPM:ADS

CONFIDENTIAL

TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

New York 7, N. Y., April 14, 1946.



Mr. W. H. Woolf,
Chief, Intelligence Unit,
Bureau of Internal Revenue,
Washington, D. C.

In re: Special Tax Drive

Progress Report for Third Week
ending April 14, 1946

In accordance with your instructions to submit a weekly progress report, the following is a summary of information obtained during the past week:

Barber Asphalt Corporation, Barber, New Jersey - Deposit of \$287,500 in large bills in the bank account of the Barber Asphalt Corporation at the Chase National Bank, New York, N. Y., during the period August 22, 1944 to November 13, 1944.

Under date of April 4, 1946, you transmitted copy of a confidential circular of the Federal Reserve Bank indicating the above deposit. An investigation was made by Special Agent Benjamin J. Kress and the following facts were developed:

In December 1942, the Marine Department of the Barber Asphalt Corporation executed a contract with the War Shipping Administration to operate twenty-three steamships. At the time the contract was signed, the War Shipping Administration advanced the Barber Asphalt Corporation \$250,000, which amount was later increased to \$500,000, and said amount was used as a revolving fund to finance the operation of the steamships. The funds advanced by the War Shipping Administration were deposited in a special bank account at the New York Trust Company under the name of Barber Asphalt Corporation General Agent, Special Account, and checks were issued against this account only to bonded employees and contractors of the War Shipping Administration for payrolls, repairs, supplies, etc. Income received from the operation of the steamships and other sources was deposited in this account and when it declined to a certain figure, the account was replenished in sufficient amount to bring it up to the original \$500,000.

At the time the Barber Asphalt Corporation started to operate these boats for the War Shipping Administration, they opened another account in the New York Trust Company under the name of Barber Asphalt Corporation, Marine Department account. This account was used for the purpose of providing cash funds with which to pay the wages of the crews of the various boats after they arrived in port. A balance of \$100,000 was kept in this account, which was replenished by funds transferred from other bank accounts of the corporation.

It was the practice when a boat arrived in New York, the master thereof would notify the Barber Asphalt Corporation as to the amount of the estimated payroll due the employees, at which time a check for the estimated amount would be drawn on the Marine Department bank account, which check would be cashed at the same bank and the funds thus obtained would be given to the master. At the same time, a check for the same amount would be drawn on the Special account in the New York Trust Company, which check would be issued to the order of the master of the boat. When the cash previously obtained from the Marine Department account was handed to the master, he would endorse the check drawn on the Special Fund account as a formal receipt for payroll funds. This endorsed check would then be cashed at the New York Trust Company and the cash thus obtained would be deposited in the general account of the company at the Chase National Bank.

It will therefore be noted that the large cash deposits in the Barber Asphalt Corporation account in the Chase National Bank merely represent a transfer of funds to the revolving account provided by the War Shipping Administration. Special Agent Kress' report setting forth the above in more detail goes forward today.

RE - LIFE INSURANCE

During the course of the investigation now being conducted at the Federal Reserve Bank with respect to large currency deposits, referred to in my progress report of April 7th, information was obtained to the effect that certain insurance companies had notified the Federal Reserve Bank that a number of their clients were making large cash payments on account of loans, advance premiums and annuities. Our investigation was extended to cover this feature and to date information has been obtained relative to forty-five individuals making payments of substantial amounts in currency to various insurance companies. Information obtained on one outstanding case follows:

Nathan Miss and
George Friber - Business address, 1725 Gwynne Falls Parkway,
Baltimore, Maryland.

The Bank of Manhattan advised the Federal Reserve Bank that the Superintendent of the John Hancock Mutual Life Insurance Company, Queens Village, New York, had informed the bank that these individuals each

purchased annuities calling for annual premiums of \$3,000 and each paid ten years' premiums in advance. \$1,600 additional was paid on an annuity policy purchased by Benjamin A. Friber, a brother of the aforementioned George Friber. Benjamin Friber's address is given as 219 West 8th Street, Trenton, New Jersey. In payment of the above, \$61,500 in currency was delivered to the John Hancock Mutual Life Insurance Company in a suitcase. This sum was collected by one of their agents in Baltimore, Maryland, who delivered the cash to their office in Queens Village, New York.

Kerby Saunders Manufacturing Co., 671 Bergen Street, Brooklyn, New York.
F. G. Seyfang, 237 North Virginia Avenue, Atlantic City, New Jersey.

Your communication of the 31st ultimo enclosed a copy of confidential circular forwarded by the General Counsel for the Treasury, indicating that Kerby Saunders Manufacturing Co., 671 Bergen Street, Brooklyn, during the year 1944 deposited large sums of money in bills of large denomination with the Chase National Bank of New York City for transmittal to the Boardwalk National Bank for the account of F. G. Seyfang, said to be a subcontractor on contracts awarded to the Kerby Saunders Manufacturing Co. for the manufacture of balloons for the United States Navy.

Under date of April 12, this office forwarded to you a memorandum report enclosing a report by Revenue Agent E. E. Kantrow of the Brooklyn Division, covering information obtained by him with respect to these transactions. It is noted that Kerby Saunders Manufacturing Co. made payments to F. G. Seyfang for the calendar year 1944 in a total amount of \$137,319 on account of a purchase order for 180 balloons. All of this amount was paid in cash, with the exception of \$10,000 paid by check. The information with respect to this matter was referred to the Special Agent in Charge in Philadelphia for his use in further investigation with respect to F. G. Seyfang at Atlantic City, New Jersey.

Irving B. Weishlum & Co., Inc., 111 John Street, New York, N. Y.

Your communication of March 31, 1945, enclosed a copy of a confidential circular furnished by the General Counsel of the Treasury, indicating that large deposits had been made in the account of Irving B. Weishlum & Co., 111 John Street, New York City. The memorandum stated that a \$50,000 deposit on March 24, 1943, was allegedly taken from the safe deposit box of an undisclosed individual.

Under date of April 12, 1945, this office forwarded to you a report enclosing copies of report by Revenue Agent J. Van Ackere covering his inquiries with respect to this matter. It was noted that on April 24, 1943, a cash entry was credited to the account of one Charles Hoffman in the amount of \$68,000. Weishlum & Co.'s records further show total credits to Hoffman in the amount of \$116,693.49 during the year 1943.

These payments were disbursed by Weisblum & Co. to several insurance companies for advance premium payments on annuities at a discount rate of about 2%. These policies had been purchased by Hoffman through Weisblum.

Charles Hoffman is a partner in the Gordon-O'Neill Co. of Jersey City, New Jersey. They are under investigation by the Alcohol Tax Unit, the Office of Price Administration, and also for income tax evasion by the Newark Division. A joint investigation with this office with respect to evasion of income taxes on the part of Charles Hoffman and other members of this company for the years 1942 and 1943 will be undertaken in the near future by this office.

Joseph Bozzo, Alexander Hotel, Paterson, New Jersey.

Under date of March 29, 1945, you forwarded to this office a communication from one Max Weberman of Paterson, New Jersey, relative to alleged evasion on the part of the above-named Joseph Bozzo. The memorandum alleged that Bozzo was a big gambler, made frequent trips to Florida in the wintertime, was collector for local politicians in Paterson and Passaic, New Jersey, and had purchased a number of parcels of real estate.

Under date of April 13, 1945, a preliminary report was submitted by Special Agent V. P. McMally. It will be noted that Bozzo shows income from the Belmont Novelty Company, which had been determined to be manufacturers and dealers in pinball and other slot machines. The investigation thus far discloses that he has several parcels of real estate but that he obtained them on inheritance from his father. Special Agent McMally has now the 1942 return of Bozzo. He has requested returns for other years, and also returns for the Belmont Novelty Company for the years 1940 to 1943, inclusive. His investigation thus far indicates that Bozzo bears an unsavory reputation. The investigation is now under way and the progress thereof will be promptly reported.

Jacob Lieberman, 194 Palmyra Street, Brooklyn, New York.

Reference is made to your communication of March 26, 1945, referring to certain individuals whose automobile numbers were noted in Florida during February of this year, which cars were said to be used by gamblers. Among them was that of Jacob Lieberman. It was stated that Lieberman's returns for the years 1942 and 1943 were with the Revenue Agent in Charge at Brooklyn, New York, and it was requested that an immediate investigation be made to determine whether or not any gambling gains were reported by Lieberman on his returns.

I have to state that Lieberman's returns show no income from gambling. Mr. Lieberman is still in Florida. The investigation has been referred to Special Agent Haselett. Immediately on Lieberman's return to New York, investigation will be continued.

On our last week's progress report, we advised that the details of 325 deposits out of 1,066 furnished to us by the Federal Reserve Bank had been compiled by special agents. Approximately 600 additional names have now been listed as to details.

There are herewith reports on Forms 101 and 103 of information submitted in accordance with instructions of April 6, by the Revenue Agents in Charge of the Second New York, Upper New York and Brooklyn Divisions. Similar data from Collectors and the other Revenue Agents in Charge in this division have not yet been received. Due to the volume of work, our forms SI-101 and SI-106 are not complete but will go forward Monday. It is contemplated that by next Saturday the entire project will be completely organized.

All the cases received from your office have now either been referred to Revenue Agents in Charge or Collectors, or assigned to Special Agents.

Enclosures.

Hugh McQuillan
Hugh McQuillan,
Special Agent in Charge.



INTELLIGENCE UNIT

PHILADELPHIA
(Office of Division)

SI-ANF-cks

TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

Philadelphia, Pa., April 14, 1945.

Chief, Intelligence Unit,
Bureau of Internal Revenue,
Washington, D. C.

In re: Current Tax Drive

In accordance with the request of the Commissioner, there is set forth herein a report of progress made during the past week on the current income tax drive:

Atlantic City Real Estate

During the past week photostatic copies of abstracts of deeds of real estate sold at Margate and Longport, New Jersey, during the years 1943 and 1944, were made with the cooperation of the Alcohol Tax Unit in Philadelphia.

Arrangements were made for the Alcohol Tax Unit to supply a camera and operator to cooperate with a special agent of this Unit to photograph the abstracts of deeds of real estate sold in Atlantic City, New Jersey. This phase of the operation will commence on Monday, April 16, 1945. As soon as these pictures are developed, the Collector of Internal Revenue, Philadelphia, Pennsylvania, will assign a sufficient number of deputy collectors to assort the information according to districts. The abstracts of local taxpayers who purchased real estate for cash will be alphabetized, their filing record checked and the information transmitted to the appropriate Internal Revenue Agent in Charge or Collector for immediate examination of the returns.

Mr. William A. Blair, County Clerk of Atlantic County, New Jersey, is cooperating in this drive by submitting to this office copies of all abstracts of deeds prepared by his office after April 3, 1945.

Mr. A. P. Schuster, Internal Revenue Agent in Charge, Philadelphia, Pennsylvania, has advised that he will prepare information reports, Form 917, of the grantors of real estate at Atlantic City, so that their returns may be examined at the appropriate time.

An analysis of 800 abstracts on file in Atlantic City, indicates that many deeds have been recorded at that place without any or only a portion of the Federal revenue stamps being attached. A considerable number of grantees are residents of Philadelphia, Pennsylvania,



Current Tax Drive

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some of whom have purchased more than one property in the last two years.

There is transmitted herewith a clipping taken from the editorial page of the Atlantic City Press of April 10, 1945.

Stock Brokers

A conference was had with Mr. Joseph F. J. Mayer, Acting Collector of Internal Revenue, Philadelphia, Pennsylvania, during the past week, as a consequence of which, Mr. H. L. Haines, Chief of the Field Division, has assigned deputy collectors to make confidential inquiries at stock brokers' offices regarding any accounts showing large deposits of cash.

Poultry Dealers, State of Delaware

A conference was held with Mr. Horace L. Brown, Senior Internal Revenue Agent, Wilmington, Delaware, to discuss this situation. Mr. Brown stated that he would assign, at the earliest possible date, six revenue agents to examine the returns of the poultry dealers in the southern part of the State. It was decided that their efforts would be directed to four taxpayers whose returns had disclosed indications of fraud during preliminary investigation. It is understood that said revenue agents will, if necessary, contact purchasers and commission brokers in New York and Baltimore and advise this office weekly of developments.

Pittsburgh Area

A conference was had with Mr. Robert W. Corey, Senior Special Agent in the Pittsburgh office of the Intelligence Unit, for the purpose of explaining the methods to be used in and the results hoped to be obtained by this drive. Mr. Corey was instructed to contact the Collector of Internal Revenue and the Internal Revenue Agent in Charge, Pittsburgh, Pennsylvania.

Newspaper Clippings

Using the file of newspaper clippings maintained as part of the regular service of this office as leads, the income tax filing record of the persons involved is being checked and the pertinent information is being forwarded to the office of the Internal Revenue Agent in Charge or the Collector of Internal Revenue, as expeditiously as possible.

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Current Tax Drive

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Current Investigations

Joint investigations conducted with the offices of the Internal Revenue Agents in Charge progressed during the past week without disclosing any further information of current interest.

Reports

Statistical reports are forwarded as follows:

<u>Agency</u>	<u>SI-Form Nos.</u>
Intelligence Unit, Treasury District No. 3	101-106
Internal Revenue Agent in Charge, Philadelphia	101-103-105
Internal Revenue Agent in Charge, Pittsburgh	101
Collector of Internal Revenue, Philadelphia	101-102-104

Alfred W. Fleming

Alfred W. Fleming
Special Agent in Charge

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE Apr. 16, 1945

TO Secretary Morgenthau

FROM Mr. Harbo

Subject: The Business Situation,
Week ending April 14, 1945.Summary

Stock market: The shock of the President's death last week, and rapid war developments, failed to unsettle the stock market. On the contrary, the Dow-Jones average of 65 stocks at the close on Friday was 3 percent higher than a week earlier and only slightly below the 1945 high attained early in March. Industrial stock prices in London weakened somewhat on Friday, after previously advancing to a new high for the entire war period.

Reconversion: Sweeping Allied military gains have focused increasing interest on reconversion plans and on cutbacks in munitions production. Following cancellation of contracts for 72 naval combat vessels in March, the Army has announced a cutback of nearly \$200 millions in the 1945 artillery ammunition program authorized last December. Likewise it has been decided not to complete 12 new tank plants that had been scheduled to reach peak operations in the last quarter of this year.

Income payments: The annual rate of income payments in February rose to a new high of \$164.7 billions from \$162.5 billions in the previous month. The principal factor in the rise was a substantial gain in the adjusted index of cash income from farm marketing, although increased payments for salaries and wages was a contributing factor.

Commodity prices: Commodity futures in the past 2 weeks have moved noticeably higher. A feature of the futures markets has been a sharp advance in the price of rye under the influence of reports of heavy Government purchases for shipment abroad. The BLS all-commodity index has remained unchanged at its wartime high for 5 consecutive weeks.

Farm parity: Prices paid by farmers (the parity index) rose 1 point to a new wartime high in March, while prices received declined 1 point. In consequence farm prices averaged only 114 percent of parity as compared with 116 percent a month earlier.

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Securities markets firm in face of momentous news

The shocking news of President Roosevelt's death, and the swift onrush toward a climax in European military developments, failed to cause unsettlement in the securities markets last week. Following the break in stock prices in the early part of March, traders and investors had displayed greatly increased caution in ensuing weeks. Thus, by the first week in April, daily average stock trading dropped to only 555,000 shares as compared with an average of 1,195,000 shares in March and 1,605,000 shares in February. However, after a slow start last week stock prices strengthened and trading on Wednesday rose above 1 million shares for the first time since March 17.

The overnight news of the President's death caused some selling of stocks at the opening on Friday, but rallying tendencies quickly developed under the leadership of utility shares. At the close of the day the industrial, railroad and utility stock averages all showed net gains, with the utility group rising nearly 4 percent. (See Chart 1.) The Dow-Jones average of 65 stocks at Friday's close was 3 percent above the previous week's level, although it was still slightly below the 1945 high attained early last month.

In contrast to the increased caution which characterized trading in the New York market in the latter part of March and early April, industrial stock prices in London moved gradually higher. Furthermore, despite a slight decline on Friday, average industrial stock prices in London last week attained a new high for the entire war period. (See Chart 2.)

In addition to the rise in stock prices, a notable feature of securities trading in London in the early part of April was a sharp rise in Japanese and Chinese bond prices, following the Russian denunciation of the Russo-Japanese neutrality pact and the resignation of the Japanese cabinet. Moreover, German 5 percent bonds of 1924 on April 4 moved up to a new high since the war began, but subsequently declined.

Outback prospects engage increased attention

As the Allied Armies move deeper into Germany, increasing business interest is being focused on probable outbacks in war orders in the near future and the many problems involved in reconversion. While recent official statements on the scope

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of outbacks have tended to be reassuring, some observers fear that actual outbacks will be heavier than currently envisaged. At the same time, recent favorable developments in the war against Japan have posed the possibility that the war in the Pacific may end sooner than previously expected.

During the past week, the Army announced that it had decided not to complete 12 new tank plants that had been scheduled to reach peak operations in the last quarter of the year. However, it was emphasized that the action constitutes an elimination of a planned increase in output rather than an actual outback in existing production. At the same time a cutback of nearly \$200 millions in projected plants and ammunition production schedules for 1945 was revealed by Army Ordnance officials. This represents a reduction of about 10 percent of the entire artillery ammunition program authorized last December.

These developments follow in the wake of an announcement late in March that 72 naval combat vessels would be cut from the new Navy shipbuilding program. In this connection the Iron Age last week commented that "the drop in Maritime plate demand combined with the effect of the cancellation of 72 naval combat vessels has resulted in open space in many plate mills in May and June".

Material requirements after V-E Day

Recent estimates indicate that in the first quarter after the end of the war in Europe military requirements for carbon steel are expected to drop 1.5 million tons, or about 23 percent. Moreover, manufacturers are expected to cut down on inventories, thus releasing additional steel supplies for civilian purposes. The outback in aluminum production will be somewhat greater than in steel, while copper is expected to be available for civilians in about the same proportion as steel.

On the other hand, it now appears likely that the reduction in military requirements for textiles and leather will be somewhat less than the outbacks in hard goods. In recognition of the changing material requirements outlook, the WPB's Requirements Committee last week asked all claimant agencies to submit within ten days a new set of requirements for raw materials, based on the assumption that V-E Day will occur on or before June 30.

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Reconversion plans receiving increased attention

In contrast to the tendency earlier this year to shun public discussion of reconversion plans, the WPB recently has been focusing increasing attention on the steps being taken to cope with reconversion problems. Earlier this month the WPB Chairman outlined a 12-point program which will be put into effect on a time schedule depending upon the rapidity of actual military cutbacks. Among other features, the program contemplates positive assistance in making available the tools, equipment, materials, etc., needed to effect rapid conversion, and positive measures will also be taken to step up production of a limited number of civilian products now in dangerously short supply. The operation of the Controlled Materials Plan will be eased, and at the earliest possible date a simplified priority system will be introduced.

Steps taken to facilitate automotive reconversion

In view of the vital importance of the automotive industry, the WPB has taken special steps to facilitate reconversion of the industry to civilian production. A special office was established in Detroit recently to assist in reconversion preparations, and during the past week approval was given to a program for the manufacture of \$50 millions worth of bottleneck tools and equipment to be used in passenger car production. Schedules are being worked out so that production of the presses, lathes and other items needed will not interfere with war production required for the war in the Pacific. Nevertheless, it is expected that from 3 to 7 months will elapse before the first items are delivered by the machine tool plants.

The president of General Motors recently stated that his company had prepared reconversion plans for all contingencies after Germany's defeat, and indicated that if limited production is possible the company will introduce only one model of each of its cars. He further stated that the assembly of cars will not be as difficult a problem as the procuring of bodies, with the Fisher Body division constituting the greatest reconversion bottleneck in the General Motors organization.

Annual rate of income payments at new high

Although actual income payments decreased in February, the decline was less than seasonal, and the annual rate of

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income payments advanced to a new high of \$164.7 billions from \$162.5 in the previous month. (See Chart 2.) The principal factor in the further rise in the rate of income payments was a substantial gain in the adjusted index of cash income from farm marketings, partly due to heavier than usual marketings of tobacco.

Payments for salaries and wages also moved higher, with disbursements for Government salaries and wages (including military pay) reaching a new high. Total income payments in February were 4 percent above the previous year's level, with all major components showing gains except salaries and wages in the commodity producing industries, chiefly manufacturing. (Refer to Chart 2.)

Commodity futures sharply higher

While some unsettlement was shown in the futures markets at the end of the week on news of the death of the President, the trend of these markets over the past two weeks has been sharply higher. Spot prices of most basic commodities are held down by ceilings, but futures generally have been below the ceilings, particularly during March. The recent upturn tends to correct this disparity, but it also apparently reflects an increasing upward pressure on prices of farm products in view of expanded world requirements and prospects of reduced production.

The Dow-Jones futures index has regained about one-half the amount lost since its early-January peak, while Moody's spot price index has held practically unchanged recently. (See Chart 2.)

While all grain futures shared in the upturn, a feature of the markets has been a sharp advance in the price of rye. May rye futures recently on three separate days rose 5 cents a bushel, the permissible limit, influenced by reports of heavy Government purchases for shipment abroad. The Commodity Credit Corporation has confirmed the purchase of 4 million bushels of rye, of which 1 million will be sent to Belgium and the rest distributed among other liberated countries. Heavy Government buying of both rye and wheat flour has also been a factor in the market.

Cotton prices have also risen, supported by a tightening spot situation, by an increase in the parity price, and by a continued movement of cotton into

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Government hands under the loan and purchase program. It is estimated in the trade that about 4,500,000 bales of the 11,800,000-bale crop will be in Government hands by the end of the season.

Steer prices have risen 2 percent in the past four weeks, while hogs have held firm at ceiling levels. Cotton has advanced. Among the feed grains, corn is slightly higher while barley has declined. Other commodities have shown little or no movement. As a net result, the BLS price index of 28 basic commodities in recent weeks has moved gradually higher. (See Chart 5.) The BLS all-commodity index (shown in Chart 5) has held unchanged at its wartime high for five successive weeks.

Farm prices lower in March

The index of farm prices declined 1 point in March to 198 percent of the 1909-14 average, largely because of sharply lower prices for truck crops. At the same time, the index of prices of goods bought by farmers (the parity index) rose 1 point to a new wartime high. In consequence, farm prices averaged only 114 percent of parity, as compared with 116 percent a month earlier and with 116 percent in March last year.

The stability of farm prices over the past year is shown by the almost flat trend of the farm price index. (See Chart 6.) Actually, there has been very little change in the combined index since April 1943, and the present index is only one-half of one percent higher than in that month.

Among the major group indexes (shown in Chart 6), it will be noted that truck crop prices are substantially lower than last year. The declines are especially pronounced for such staple vegetables as onions, tomatoes, carrots, cabbage, and spinach. Prices of meat animals and of poultry and eggs are somewhat higher than last year, but other groups are unchanged to slightly lower.

Record wheat crop seen

As one of the bright spots in the food outlook, a record wheat crop seems in prospect this year, assuming normal weather. The Department of Agriculture forecasts a winter wheat crop of 863 million bushels, the largest on record, based on April 1 conditions. Planting intentions for

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spring wheat, with average yields, point to a spring wheat crop of 241 million bushels. This would bring the total 1945 crop to 1,104 million bushels, compared with the previous record of 1,079 millions in 1944.

Much concern is expressed in the grain trade, however, over a shortage of freight cars to move wheat to the central markets. Depleted stocks of cash wheat at central markets, such as Chicago, have been one of the factors tending to raise wheat futures prices in recent weeks. On the other hand, storage space is abnormally filled in the interior markets, which has led to the fear that much of this year's winter wheat harvest will have to be piled on the ground and subject to spoilage.

In a letter replying to a statement of the president of the Kansas City Board of Trade recently, the director of the ODF said: "The outlook for the next 15 months is most alarming. You will probably store more grain in the producing areas this year than ever before. I am informed that the Department of Agriculture is making provision and arrangements therefor. There will be throughout our commercial activities difficulties in transportation. We hope that such difficulties may be averted for the military."

Government and railroad agencies last week indicated that no further measures would be taken to improve the freight car situation for the movement of wheat, because other needs are at least equally as urgent. In addition to the heavy demand for cars to move war materials to both fronts, there is now the huge problem of transporting grain and other foodstuffs for shipment to liberated countries. An additional problem is the fact that many elevators in the Middle West are filled with damp corn from last year's crop, which is beginning to spoil. Recent press comment suggests that the car shortage may soon force a choice between cutting down on munitions shipments or on programmed "wake of battle" food consignments.

1945 crop acreage expected to equal that of last year

Despite the tight farm labor supply, the total acreage of the principal crops planted this year is expected to about equal the near-record acreage of last year, according to the March 1 "Prospective Planting" report recently released by

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the Department of Agriculture. This forecast is based on reports from farmers in all parts of the country, and takes into consideration the past relationship between such reports and acreages actually planted. Substantial reductions in acreages are indicated for the South in less productive areas, but small increases are planned in the Pacific Coast and in northern and central areas on more productive land.

The crop acreages planned fall below the 1945 goals in most cases, but considerable increases are expected in the acreages of several crops especially needed to meet war needs. For instance, the intended acreages of flaxseed, sugar beets, and rice are 37, 20, and 2 percent, respectively, above those planted in 1944, although the first two fall noticeably below the 1945 goals. The planned acreages of soybeans and peanuts, also important war crops, fall slightly below both the 1945 goals and the acreage planted last year. Of the grain crops, the acreages of wheat and oats are expected to be larger than last year and larger than the goals, while the reverse is true of corn and barley. Declines in the acreages of potatoes, sweet potatoes, dry edible beans, and some vegetables are indicated, probably due to labor shortages.

Proposals to alleviate food shortages

In view of the critical food outlook and the indication from the recent intentions-to-plant survey that the crop acreage may fall about 13 million acres below the goals set by the WFA, the Food Administrator has appealed to farmers to plant larger acreages of important food and feed crops. He said that a review of the food situation made it clear that production in line with established goals is even more necessary now than when the goals were set in January.

He asked particularly that the goals for oil crops be met--flaxseed, soybeans and peanuts--and also the goal for dry beans, badly needed for relief feeding. He suggested that some of the acreage intended for spring wheat be shifted to other crops, in view of the very favorable outlook for the winter wheat crop.

Following a recent suggestion of a House Food Investigating Committee for increasing pork production, the War Food Administration announced jointly with the OPA last week that the support price for hogs will be increased from

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\$12.50 to \$13.00 per hundred, and continued at that level until September 1946. At the same time, it was announced that there would be no reduction in the present \$14.75 ceiling price before that date. The Food Administrator asked farmers to raise 37 million hogs next fall or 15 percent above the production last fall.

A major reason for the poor distribution of meats in this country is the fact that meat not slaughtered under federal inspection cannot legally move in interstate commerce, nor can it be purchased for Government uses. As a consequence, the large takings of meat for military and relief purposes are concentrated in federally-inspected plants. Since the larger cities must rely largely on meat shipped across state lines, their supply depends upon the amount left by the Government from federally-inspected production, while supplies available to smaller cities in producing areas are little affected. Proposals are being considered to correct this situation.

Freeze injures fruits and truck crops

A widespread cold wave from the 4th to 7th of April brought severe frosts to many parts of the country from California through Oklahoma to South Carolina. Many fruits and truck crops, made vulnerable by a month of exceptional warmth, received light to considerable damage in unfavorable locations, according to the Weather Bureau, but estimates of the extent of damage cannot be made until later.

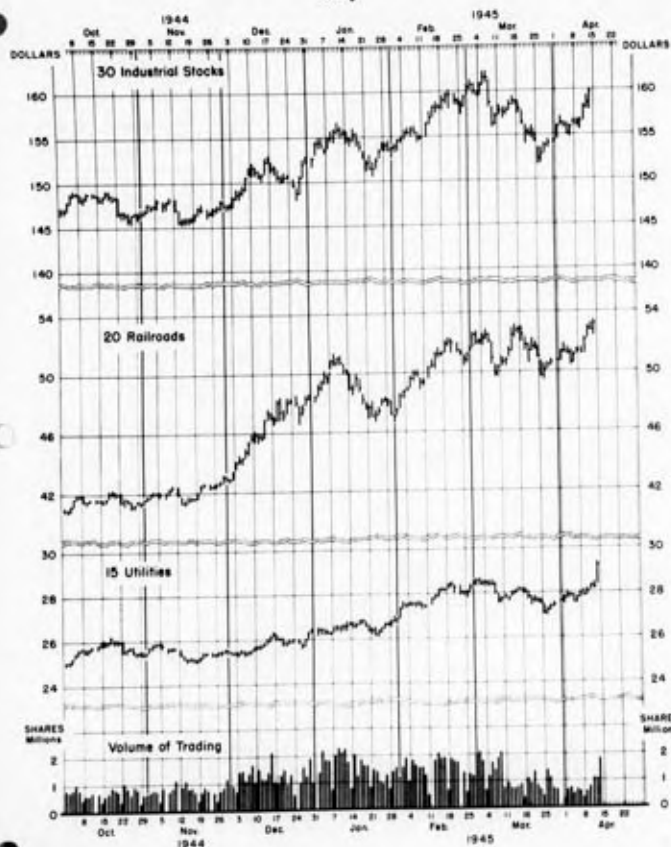
The reports appear to indicate rather heavy damage to fruits and some other crops in Virginia, West Virginia, Maryland, Ohio, Arkansas, Kansas, Oklahoma, New Mexico, and locally in such states as North and South Carolina, Pennsylvania, Missouri, Nebraska, Illinois, and Pacific Coast states.

Drought is becoming serious in Florida, where only 21 percent of normal rainfall was received during March. Truck crops have deteriorated, and many fruit trees show considerable dropping of leaves and young fruit, according to the last weekly weather bulletin. The drought has for some time affected a considerable part of the Caribbean area, including Puerto Rico and Cuba, where it has seriously reduced the prospect for the sugar crop. Droughts which began to develop earlier in the Southern Hemisphere have materially reduced the production of crops and livestock in Argentina and Australia.

Chart 1

STOCK PRICES, DOW-JONES AVERAGES

Daily

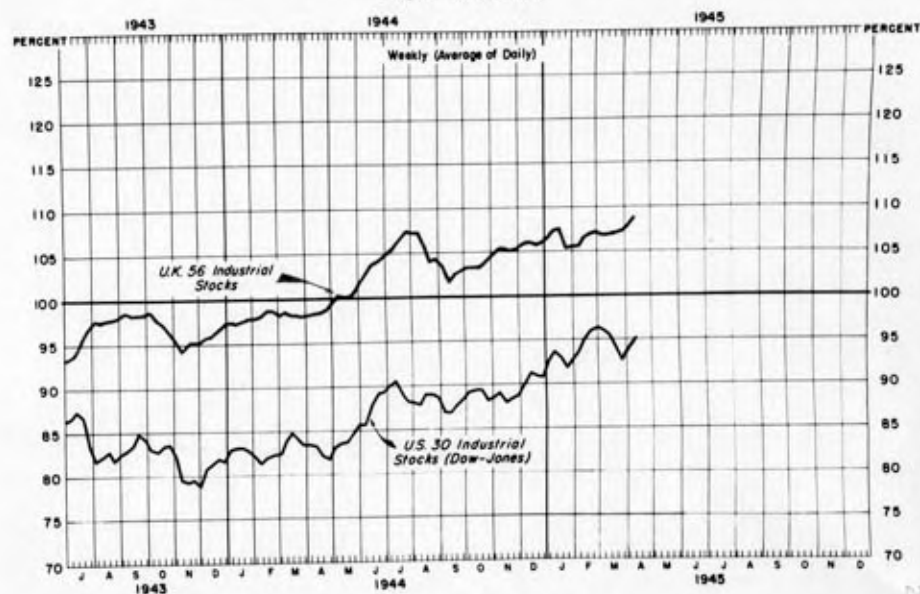


Office of the Secretary of the Treasury
Bureau of Research and Statistics

P-104-M

INDUSTRIAL STOCK PRICES IN U.S. AND U.K.

August 1936 = 100



Office of the Secretary of the Treasury
Bureau of Research and Statistics

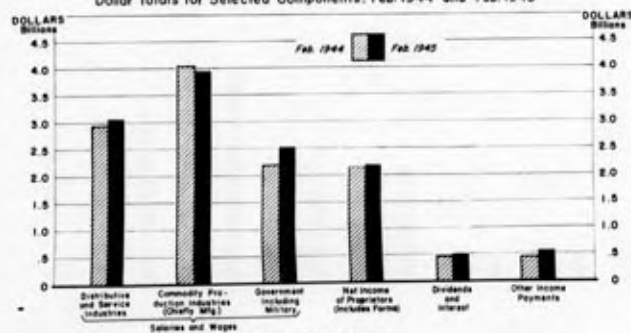
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294

Annual Rate, by months



Dollar Totals for Selected Components, Feb. 1944 and Feb. 1945

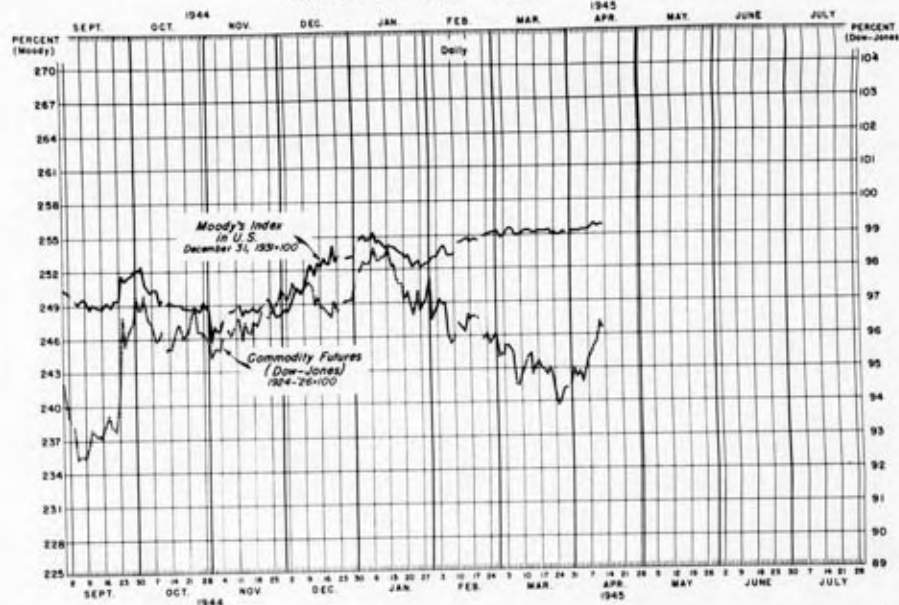


Office of the Secretary of the Treasury
Bureau of Economic and Financial

Source: Department of Commerce.

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COMMODITY PRICE INDEXES IN U.S.

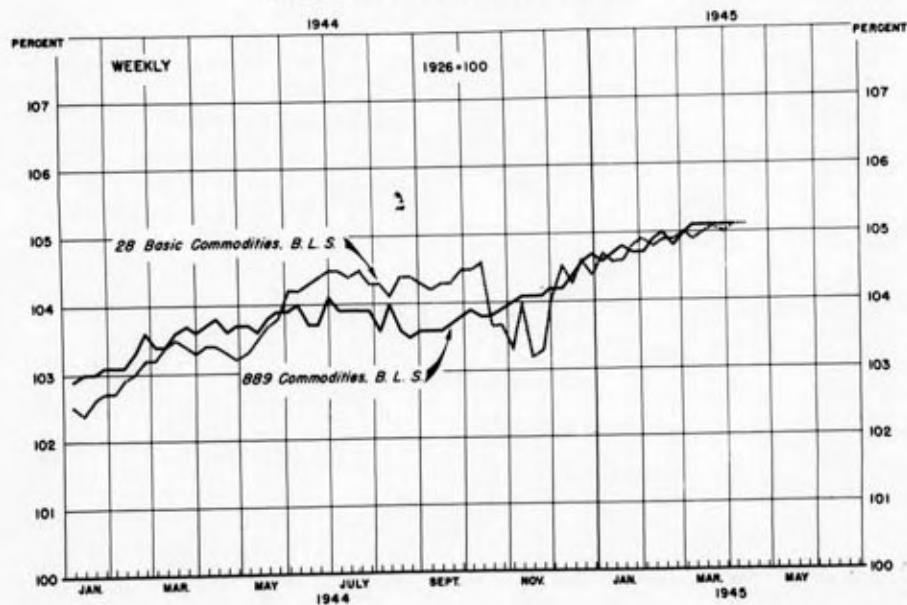
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Keywords: *workplace spirituality, organizational commitment, organizational citizenship behaviors, organizational trust, organizational identification*

Chart 4

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WHOLESALE COMMODITY PRICES



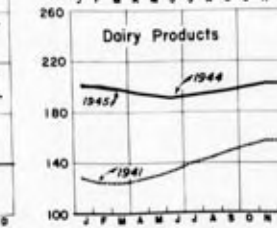
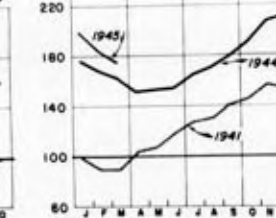
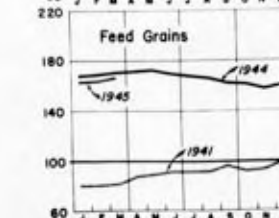
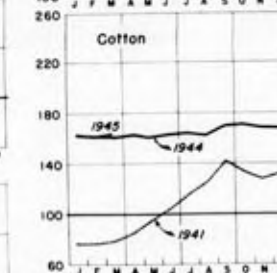
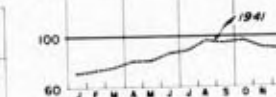
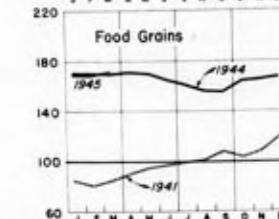
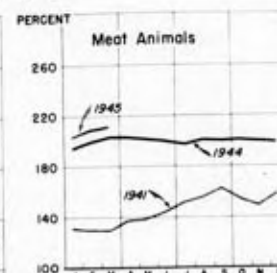
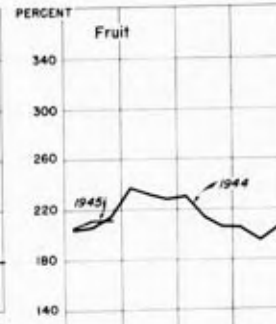
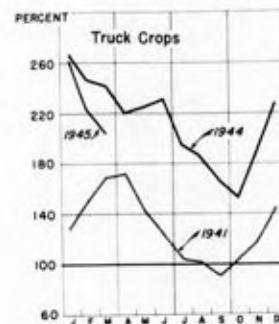
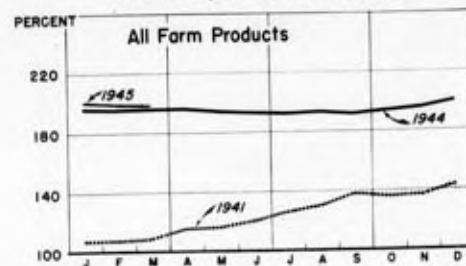
Office of the Secretary of the Treasury
Division of Research and Statistics

P-196-0

Chart 5

AVERAGE PRICES RECEIVED BY FARMERS

Indexes, August 1909 = July 1914 = 100



April 16, 1945
10:00 a.m.

GROUP

Present: Mr. D. W. Bell
Mr. Blough
Mr. Luxford
Mr. Pehle
Mr. Haas
Mr. White
Mr. Coe
Mr. U. S. Bell
Mr. Gaston
Mr. Fussell
Mr. Lynch
Mr. Bartelt
Mrs. Klotz
Mr. Feltus

H.M.JR: Good morning.

MR. D.W. BELL: Good morning, Mr. Secretary.

H.M.JR: I just received a message that Mrs. Morgenthau had a good night.

The first thing I wanted to talk to you people about is really a matter of public relations. Should I have a press conference this afternoon, or shouldn't I?

MR. GASTON: Oh, I think so. I don't see any reason for omitting it.

H.M.JR: Well, Mr. Truman is going to make his talk, and one immediately asks the question, am I staying or am I not staying, and all the rest of that stuff.

MR. GASTON: Well, those questions are all damned up and aggravated by waiting, I think. The routine is better.

H.M.JR: General Greenbaum is very insistent that I should not. He thinks it is a great mistake.

MR. GASTON: Well, departure from the usual always is positive. I think it would be a mistake not to.

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H.M.JR: All right, we will go right on talking.

Fussell?

MR. FUSSELL: I think it should be held, Mr. Secretary. It would just raise a question as to why it was not being held. Everything will go back to routine. I think any positive action is better than negative action at this time, as a matter of principle.

H.M.JR: My own inclination has been to do it.

MR. WHITE: I would.

H.M.JR: Dan?

MR. D.W. BELL: That's the thing to do unless you have a good excuse to get out of it by going some place out of the building.

H.M.JR: No. I am not going anywhere.

MR.D.W. BELL: I would have it.

H.M.JR: Does anybody want to volunteer?

MR. WHITE: It would be nice if you could have something positive, I mean to say, if there is something you can dig up about financing, and so forth.

H.M.JR: Well, Fussell, you ought to see what you can dig up. That's part of your job. I can give you two suggestions. One, by now they ought to have something on this black market tax evasion. I mean, there is something wrong if they don't have something for me by now. There is just something wrong, and I am not going to be too squeamish about this law thing that I can't talk about it either. You can get me out of jail afterwards, but there is something wrong if they haven't got it. Don't they have something, Herbert?

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MR. GASTON: It would have to be something about what they are doing which wouldn't have very much news in it. You couldn't have anything on any particular case unless they were cases they have been working on for a long time.

H.M.JR: Haven't they found anything? I mean--oh, it must be, I don't know how long.

MR. GASTON: I don't think they have found anything that you can give out as a news story. I think we can take a look and see.

H.M.JR: What are they doing?

MR. GASTON: They don't make tax cases in one week, or two weeks, or six weeks, or six months. Sometimes they make them in six months, but it is an extraordinary tax case that is made in a few weeks.

H.M.JR: They don't have to have it completed.

MR. GASTON: There might be something that we can do.

H.M.JR: You threw out some hints the other day that there are some very important cases.

MR. GASTON: We have a review of what was done in the black market liquor cases written up in quite a bit of detail for you. I think perhaps it is in your hands and it was rewritten to eliminate the names, and, well, to eliminate certain particular cases, rather, certain references in it that were intended for you only, and what we planned to do with that was give it a sort of special planting with a few men who could write a background story that would give a review of what was coming in those black market liquor cases.

MR. D.W. BELL: Wouldn't that be kind of bad after the Secretary has told this press group they would get the first crack at it?

MR. GASTON: No.

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MR. D.W. BELL: You promised them that, as I remember.

H.M.JR: I promised them last week. Do you know anything, Lynch?

MR. LYNCH: I don't know.

MR. GASTON: I think we can dig up something.

MR. FUSSELL: I think we can give a story on that Davis report.

MR. GASTON: I think that would be possible.

H.M.JR: Something new.

MR. FUSSELL: It wouldn't be a specific indictment or anything of that sort, but we can tell the manner in which they have to work from a black market case to a tax case and the procedure that is followed in that connection, and the general operations, the general method of operations by which they try to conceal their--

H.M.JR: Well, Fussell, see what you can do today. In the whole Treasury--there must be something wrong if there aren't a couple of news stories around the Treasury. We must be dead on our feet. That is part of your job to work up something for me. It's not Herbert's responsibility, it's yours.

(The Secretary holds a telephone conversation with Commissioner Nunan.)

H.M.JR: Now, certainly we can have the war bond people over here. They gave a good story the last time. What?

MR. FUSSELL: Yes.

MR. GASTON: About this press conference, Mr. Secretary, I would like to say something. I don't think we want to make any special effort to route out news stories for today.

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You are going to have plenty of news. The principal reason for having a press conference is not to avoid having one. The competition is going to be terrific, you know. President Truman is making an address before a joint session, and it isn't a favorable day to get news stories out.

H.M.JR: I disagree with you. I think that Fussell's job is to see--I have these press conferences twice a week, and I am never prepared for them. I am looking to him, not just today, but Thursday and next Monday, when I have these press conferences that he comes in before press and tells me in advance, "Here are half a dozen things. Do you want to use any of them?"

MR. GASTON: I think that's quite right. I was only suggesting as of today.

H.M.JR: I don't mean just today. Here are half a dozen things--Pehle's got this, he's doing this, or White's doing this, I mean, half a dozen things lying on my desk so I can say, "Well, I'll use this." But just going into these things always cold--I don't think I should be allowed to go into these things just cold.

MR. FUSSELL: I will be glad to do that, Mr. Secretary.

H.M.JR: You have no difference on that have you, Herbert?

MR. GASTON: There can't be any difference on that, Charles.

MR. C.S. BELL: McQuillan has a record of all the persons that ever cashed large checks with these checking companies in New York. Sometimes a name appears two or three times. The checks range up to one hundred or two hundred thousand dollars. Possibly a story could be made out of that. There is quite a file and it is very current. He has been around to these checking companies and found out who the checks are payable to and who gave them the check, and they go in there to get discounts to get a check cashed. It's a direct lead in the black market.

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H.M.JR: What is a checking company?

MR. C.S. BELL: They cash checks for people for commissions.

MR. D.W. BELL: A great many check cashing offices have sprung up over night in New York, and they are now even authorized by State legislature.

H.M.JR: I didn't know that.

MR. C.S. BELL: Some of those checks go as high as two and three hundred thousand dollars.

MR. WHITE: How much commission do they pay? Have you any idea?

MR. C.S. BELL: I don't know. I didn't go into that. It depends on the size of the check.

MR. WHITE: It couldn't be very substantial unless it is something dishonest.

MR. C.S. BELL: That's the suggestion, of course. They don't want to run the check through their own bank.

H.M.JR: Feed this stuff in to Fussell so he can have something, see? I am not going to have a press conference if I have to sit here and answer questions. Am I resigning or am I staying?

MR. D.W. BELL: Regardless of what you have in the way of news you might be asked that question, whether or not you are going to stay.

H.M.JR: There is only one answer I can give them. It's up to the President.

MR. D.W. BELL: You are here at the pleasure of the President.

H.M.JR: Let's get on to Bretton Woods. That's what I wanted Feltus here for. Where do we stand now, Harry?

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MR. WHITE: There is a meeting again at ten o'clock on reparations. I asked Joe DuBois to go and Harold. If you want me to go, I better go now. Glasser and DuBois are there.

H.M.JR: Where?

MR. WHITE: At a State Department meeting.

H.M.JR: All right.

MR. WHITE: Do you want me to go there or do you want me to stay?

H.M.JR: We are not doing anything here. You might as well go over there.

MR. WHITE: All right. I can't think of anything new on Bretton Woods. I spoke to Senator Downey for an hour or so Saturday morning and had lunch with Senator Pepper and talked about Bretton Woods to both of them, but they are strong for it anyhow. They are just getting some information about it and they will get more.

H.M.JR: One minute before you go, because that meeting will be still on when you get there. What about this Senator Pepper business? Am I appearing?

MR. LYNCH: That's where it was when I discussed it earlier with you, Mr. Secretary. I haven't talked to Senator Pepper personally, but his people are preparing the hearings and say they are certain he wants to go ahead, that definitely he does want to go ahead. Now, in your absence, merely to fill in to get a definite date, I mean tentatively, it was--you were put down for the 18th, which is Wednesday. It was understood, of course, by everyone that that was their selection of the date. Senator Pepper has been quite anxious to have you appear. He thought it would be an excellent forum for Bretton Woods. He would like to give cases of the ordinary businessman and the smaller manufacturer and trader in foreign trade, and how they will be helped by Bretton Woods. We had earlier

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suggested to him how tentative was the possibility of your being there, but he still seemed to feel very strongly that he would like to have you there if at all possible.

MR. WHITE: He feels strongly and I think you should go. A statement is being prepared and I think you should go, particularly now, to get in the swing of it as quickly as possible.

MR. LYNCH: There is still some play on the date.

H.M.JR: I can do it the 19th.

MR. LYNCH: I am sure that will be agreeable.

H.M.JR: But I mean, how are you going to carry Bretton Woods in this small business?

MR. LYNCH: Into post war foreign trade.

H.M.JR: Oh, I thought it was small business?

MR. COE: It is the Small Business Committee addressing itself to the whole problem of post war foreign trade.

MR. LYNCH: The Committee will show the developing interest of the small businessman, and the small manufacturer, and the small trader in post war foreign trade.

H.M.JR: Who is working on this thing? When can I see it?

MR. WHITE: They are working on it down the line. They said they will have something for today. I'll make sure there is a draft of it by the end of the day.

H.M.JR: Do I look to Harry?

MR. WHITE: On this, yes, to see that there is a draft. Suppose I give Luxford the responsibility? They have already started on that.

H.M.JR: He may want a little plug.

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MR. LUXFORD: We may get in a little plug.

MR. WHITE: So, I'll give Luxford the responsibility.

H.M.JR: Do you think it's safe?

MR. WHITE: Oh, yes, if he takes the responsibility, you will have it.

MR. LUXFORD: If I don't change it, huh?

H.M.JR: Who are you going to give the responsibility to, Luxford, now that white has given it to you?

MR. LUXFORD: That's a secret.

MR. WHITE: If you look to him, I'll help see that it is done. The two things that you probably have in mind--in any case we are going to decide today what the line up of witnesses should be and Spence is going to open up hearings as quickly as possible, and today we will agree as much as possible on the suggested compromises or recommendations, and on the specific language of what is satisfactory here and see how much is left that there is disagreement about, so you can concentrate on small portions on which there is disagreement.

H.M.JR: Well, Hannegan told me yesterday afternoon at lunch with Truman and Byrnes--Hannegan took great pains to bring out the question of Bretton Woods, because he wanted to see where Byrnes stood, and Byrnes said this is an absolute must, and so did President Truman. There was no question about it. It had to go through, and if this didn't go through it would be terrible, and that was Byrnes. He said--he was very emphatic on Bretton Woods.

MR. COE: Wouldn't there be an angle there that would be good for your press conference today?

That's an absolute must.

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MR. WHITE: If you are in a position to say something that the President has said about it, I don't know if it is appropriate.

MR. GASTON: It would be appropriate for the President to say it at his press conference.

MR. WHITE: Definitely, he should be asked that question. It may be that could be arranged through your press people and through him.

H.M.JR: He may say something about it at one o'clock today.

MR. WHITE: Maybe he will, you say?

H.M.JR: I don't know.

MR. WHITE: Maybe I could find out.

H.M.JR: Oh, I wouldn't.

MR. WHITE: I think I know who is helping on it. If you want to let it go--

H.M.JR: I think it is written.

MR. D.W. BELL: Pepper said George Allen had got most of the suggestions together for the speech today.

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H.M.JR: Commissioner?

MR. D.W. BELL: Former Commissioner, yes.

MR. WHITE: Is Spence going to call you, or were you going to call Spence when he has found out something specific?

H.M.JR: He is going to call me. I am not crazy about going up before Pepper on this thing, but if you all think I should, I will.

MR. WHITE: You don't think it is worth while?

H.M.JR: I don't want to hurt Pepper's feelings.

MR. D.W. BELL: Is there going to be any feeling--

MR. WHITE: Do you think you ought to call Spence and say you have been asked to do this, or some one of us can take care of it, and ask him does he see any objection to it, since we are playing ball wholly with him on Bretton Woods? He might feel this would steal some of the play.

H.M.JR: I think--

MR. LYNCH: We had that in mind, Mr. Secretary.

b-2-1

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H.M.JR: That would be a good idea. Clear it with Spence.

MR. D. W. BELL: How about Wagner? It seems he is the one who should be jealous.

H.M.JR: That is right.

MR. LYNCH: We didn't want to do it definitely until we knew whether you wanted to go ahead.

H.M.JR: The 18th would be all right. Better clear with Volcott and Spence.

MR. WHITE: It is the 18th.

H.M.JR: The 19th, yes. And clear with Toby, too; he is almost a Democrat as far as--

MR. WHITE: ...Bretton Woods is concerned.

H.M.JR: Dan, the other thing on Bretton Woods is with Ned Brown. I am free tonight. I could continue that thing. I got quite a lot out of that the other day.

MR. D. W. BELL: Were you going to have Acheson in on it? You said you would have a conference somewhere along the line.

H.M.JR: I could do it right after this-- I have nothing to do-- if you can get them together.

MR. WHITE: There is very little left for you to go over, so you could do it within an hour.

H.M.JR: I could do it at eleven o'clock if Brown can come over here.

MR. LUXFORD: He is here now.

MR. D. W. BELL: He was a while ago.

MR. LUXFORD: He was in my office, and I think he went to Delano's office.

H.M.JR: See if he would be available at eleven o'clock.

(Mrs. Klotz leaves the conference temporarily.)

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H.M.JR: White, you won't be here, will you? Why don't you, if I can get him--who represents the Treasury over there?

MR. WHITE: Joe DuBois and Harold Glasser.

H.M.JR: I would let them carry through. It is reparations, isn't it?

MR. WHITE: That is right.

H.M.JR: The whole thing is so mixed up.

MR. WHITE: Either they will accept the recommendations we are making--if they don't, the boys will reserve their position and we will have to discuss what to do from there on.

H.M.JR: I would be surprised if Lubin was there. He left last night to go to New York to see Baruch.

MR. WHITE: I see.

H.M.JR: And he is--in the frame of mind he was in I gathered he wanted to resign, so--

MR. WHITE: Well, it was important to see what changes were evidenced, and they won't recede from their position without coming back to talk.

H.M.JR: I would rather have you here this morning.

MR. GASTON: Is Baruch back?

H.M.JR: Baruch, Ed Flynn, General Elliott Roosevelt, and Judge Rosenman all came back together on the same plane.

MR. GASTON: That is right.

MR. D. W. BELL: Jimmy got here too late.

H.M.JR: I gathered that.

MR. GASTON: Yes.

H-2-3

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H.M.JR: What else?

MR. C. S. BELL: Just a deferment case, a Bureau of Engraving employee.

H.M.JR: Is he around?

MRS. KLOTZ: They are going to find out.

H.M.JR: Take care of it. And if anybody has any notes they have written to me that they are waiting for an answer on, they had better start fresh, because I took a whole satchelfull with me up to Hyde Park and back and never opened it. So if there is anything pressing, get it to Mrs. Klotz.

MR. C. S. BELL: He is a bookbinder at the Bureau of Printing and Engraving, on the key list, married, has one child, and is thirty-two.

H.M.JR: Why ask for the deferment?

MR. C. S. BELL: We can't replace him. We have trouble getting bookbinders here. They are just not available. It means cutting machine binding and a whole series of jobs down there.

MR. WHITE: If there is no urgency, there is going to be some drastic change I think probably within the week, I heard from fairly good authority. You would be in a better position than I to know, but it bears on the point that V-E Day was going--something either approximating it, or some new statement would be made very quickly. Now, whether that would alter that situation or not, I don't know. It may be a small matter.

MR. C. S. BELL: That is the first bookbinder Al has sent over.

H.M.JR: I can't--how much time have we got left.

MR. C. S. BELL: We've got enough time.

H-2-4

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MR. C. S. BELL: I thought you might want to know that Bernard and Sullivan are going to open a law office in town. Larry Bernard was with us.

MR. WHITE: And John Sullivan?

MR. C. S. BELL: He is getting out of the Coast Guard the 1st of May, yes.

H.M.JR: They let him go?

MR. C. S. BELL: Yes, sir, they did.

H.M.JR: My apologies to you, Lynch. When that sort of thing happens it makes me feel--

MR. LYNCH: Certainly no apology is even appropriate, Mr. Secretary.

H.M.JR: If you are happy, I am happy to have you here.

MR. LYNCH: That is nice of you to express it so, but I have a feeling that no such statement is at all called for.

MR. C. S. BELL: That is all, sir.

H.M.JR: How old is Larry Bernard?

MR. C. S. BELL: He must be approaching forty now. He was in the draft age when he went over, around thirty-five.

H.M.JR: Don't get me started.

MR. C. S. BELL: All right.

H.M.JR: We talked about him, and somebody said he was an administrative officer. Was it you, Herbert?

MR. GASTON: I told you I thought he could be gotten away from the Coast Guard.

H.M.JR: But somebody said he was still over there.

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MR. GASTON: Well, you may have heard that from someone else. I did tell you that he had been sort of an administrative officer for General Waesche, but I thought that he was to be getting out before long.

MR. WHITE: There will be an awful lot of that. I wouldn't be disturbed about that. From now on there will be a lot of that.

H.M.JR: Who is going to lick the Japanese?

MR. WHITE: The same people who licked them before these fellows left town.

H.M.JR: Are you all right?

MR. C. S. BELL: Yes.

MR. D. W. BELL: When you were down South I cleared a couple letters for Bartelt over the telephone, you remember, so he could get going. That is just for the record.

H.M.JR: Just a bit of gossip--Byrnes called up the man in charge of the train and said he wouldn't go on the train unless he could go in a private car.

MR. WHITE: Up there?

H.M.JR: Yes, up there. He wouldn't ride unless they would rearrange it, and move Mrs. Roosevelt and get another car for her. He wouldn't go on the train unless he could go in a private car.

MRS. KLOTZ: You mean all to himself?

H.M.JR: Ride in a private car. He knew there was only one.

(Secretary signs letter to Heads of Bureaus dated April 16, 1945.)

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H.M.JR: That is what happens when you go to Yalta and talk to Stalin. They put him in the car with President Truman and got another car for Mrs. Roosevelt.

(The Secretary signs letter to employees, dated April 18, 1945.)

MRS. KLOTE: Maybe that was an idea.

MR. D. W. BELL: That is all I have.

H.M.JR: White?

MR. WHITE: I have nothing.

MR. LUXFORD: I haven't anything.

H.M.JR: I saw a friend of yours on the train.

MR. LUXFORD: Did you?

H.M.JR: You know it already.

MR. LUXFORD: No.

H.M.JR: I had a nice talk with him for about an hour.

MR. LUXFORD: He is pretty discouraged.

H.M.JR: He said you boys were wiping up the floor with your chins.

MR. LUXFORD: So was he.

MR. WHITE: I have quite a few things, various tidbits. The picture is beginning to be filled in. Whether it is a correct picture or distorted, I have no way of knowing, but some of the things are pretty encouraging.

MR. PHELPS: I would like to hear some of the things.

MR. WHITE: We can see if they bear fruit. I don't think it is as hard as it was at first.

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MR. LUXFORD: It couldn't get any darker, that is all.

H.M.JR: How far did we get? White says he has got a lot of gossip and doesn't tell it to us. You know what we do with fellows like that. They don't come to our bridge game again. Did I get by you, Luxford?

MR. LUXFORD: Yes.

MR. COB: I have nothing, sir.

MR. WHITE: Mr. Adler is here; he just returned.

H.M.JR: You fellows have to start fresh, because I don't know what is in that black box of mine, the Pandora box. If anybody wants me to do anything, you boys had better start fresh.

MR. WHITE: Before you pass that, Mr. Adler and Soong are here with Leon Henderson, and they are going to doubtless put on a drive for gold. Now, whether they will put that drive on here or elsewhere or both places remains to be seen. Henderson is coming to see me tomorrow. He asked to see me. I don't know whether he is representing the Chinese Government or is a neutral observer, but he is being paid by the Chinese Government.

H.M.JR: Send him over to see something something Vinson over at the State Department.

MR. D. W. BELL: Speaking of gold, I sent you a memo. I don't know whether you have seen it or not.

H.M.JR: I served notice on everybody I haven't seen anything.

MR. D. W. BELL: It is on the gold in Germany. Bernstein has been there and inspected it and more or less--

H.M.JR: I did see that. I think you showed me that.

MR. D. W. BELL: Yes.

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he did or did not want me. I also made it plain that sitting here with the fight that I made that I could only continue if I got one-hundred percent backing from the President. He asked me to stay and assured me he would give me his one-hundred percent backing, so that is where he stands now. I don't want to--I would like to, while the war is on, see this job through provided President Truman will back me. He assured me of that. I won't give you the gossip, but both the Democratic machine and the Republican machine have been consulted, strangely enough, about the Cabinet changes. I have gotten this straight, and both the Democratic machine and the Republican machine have told Truman that he should keep me, strangely enough. It seems peculiar, but I will continue just as long as I have got a big responsibility here and the war is on. I have a great personal stake in it, and I told Truman this: I have just two interests in life outside of my family: One is to win the war, and the other is to win the peace, and he said, "Those are my only two interests."

I told him that we had moved the financial center of the world from London and New York to this desk, but it could only stay here as long as I had the backing of President Roosevelt.

He said, "You will have the same backing from me," so we will see.

MR. GASTON: I think that was very profitable to have that talk. I think that is very fine to have that talk.

H.M.JR: So we will see.

Now, I am not going to continue to talk about the resignation, but I did make this suggestion to Hannegan, which was Greenbaum's suggestion to me, that the whole Cabinet resign, that he accept them and then that he reappoint those of us that he wants, and we would be confirmed by the Senate. We would become Truman's Cabinet with the backing and recognition of the United States Senate, you see? And the sooner they did it, the sooner the people would settle down and go to work. And Hannegan liked the idea very much.

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I tried it out on some of my fellow Cabinet Members, and they didn't.

MR. WHITE: I think it is a good idea.

H.M.JR: But then the whole thing would settle down. He could decide this week who he wants and who he doesn't want.

MR. D. W. BELL: It would certainly stop all the rumors.

H.M.JR: They said, "Some of us might have trouble on confirmation, but I said, 'All right, if we couldn't--'"

MR. GASTON: Don't you think that is too much like holding the gun to the President's head, that he should make an instant choice?

H.M.JR: No, no, no, only if it was agreeable to him, not on the basis--

MR. GASTON: It couldn't be done unless it was agreeable.

H.M.JR: No, he said it would be agreeable and he would know whether it was all right with Berkley and all the rest of the business and it would be worked out, but he wouldn't be embarrassed. It would become his Cabinet with the confirmation of the Senate, and the whole country would settle down and go to work. I thought it was an excellent idea.

MR. PERLE: It would make a lot of difference.

H.M.JR: And Hannegan liked it. But strangely enough Governor Dewey also thought that I should stay, as did Vandenberg.

MR. PERLE: You have got some strange people backing you.

MR. D. W. BELL: I am not surprised at Vandenberg.

H.M.JR: Truman consulted Vandenberg.

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MR. D. W. BELL: I am not surprised.

MR. WHITE: I am not surprised at Vandenberg saying that.

H.M.JR: He consulted Vandenberg. But the one fellow that they have all got it in for is Biddle.

MR. D. W. BELL: That seems to be true.

MR. PHELPS: The difficulty about that is it makes the President make up his mind about the State Department right away before the San Francisco Conference.

H.M.JR: Well, he should.

MR. LUXFORD: I think so.

H.M.JR: He should. I mean, the thing is imminent. It starts the 26th of April, doesn't it?

MR. WHITE: The 25th.

H.M.JR: He should; he has got to.

MR. PHELPS: He might want to ride through the conference and then switch.

MR. WHITE: On the one hand you have doubt as to whether you are talking to the future Secretary of State, and on the other--

H.M.JR: When the thing came out in Scripps-Howard, "Morgenthau on the skids, Stettinius out--" people outside were joking with me, "Should we look for a new job, or shouldn't we?"

MR. PHELPS: Oh, I realize the present situation isn't good.

H.M.JR: I am talking frankly here, but I just thought you people ought to know how I feel and what I would like to do. That is all. Somebody asked me the question, "What will you do if you are told to settle the Higgins case?"

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I said, "I just wouldn't, that is all. Somebody else can settle it."

MR. GASTON: Yes, and there are one or two like that.

H.M.JR: But those people--they know me, and they know what I will or won't do. I mean, I have been around this town this long, and they know. They are not going to put up the Higgins case to me.

MR. GASTON: There have been some awfully stupid stories written on this thing.

H.M.JR: Very stupid. And I bet Mrs. Lehman a dollar last night that up to the 1st of July--I said I couldn't risk it very much longer--that Byrnes would not be given a statutory position. Does anybody want to get in on a hat pool?

MR. WHITE: He will not be given a statutory position?

H.M.JR: I said a statutory position.

MR. WHITE: There is only one.

H.M.JR: No, his position over there.

MR. WHITE: Harry Hopkins' job?

MR. LUXFORD: What do you mean by a statutory position?

H.M.JR: I said that he would not be given a statutory position.

MR. WHITE: There is only one fifteen-thousand-dollar job floating around that is not touched, and that is Hopkins' job.

MR. COE: They can pay him as they want.

H.M.JR: I will make it easier, statutory or on the Government payroll.

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MR. WHITE: You're betting that?

H.M.JR: Yes, that he won't. I am giving even odds.

MR. GASTON: What will he do, open a law office?
(Laughter)

MR. WHITE: Make it a carton of cigarettes. It would be worth our while.

H.M.JR: Anybody want to bet me?

MR. FELTUS: I will bet with you on that.

MR. COE: I will take you on that.

H.M.JR: A package of cigarettes.

MR. WHITE: They've got to be bought legally, too.

H.M.JR: Now statutory--everybody puts in a package of cigarettes that wants to get in, statutory or on the payroll.

MR. LUXFORD: In advance?

MRS. KLOTE: They will get stale.

MR. D. W. BELL: What is this, another Leo Crowley?

H.M.JR: What do you mean?

MR. D. W. BELL: He is on the payroll as an associate something.

H.M.JR: Are you putting in?

MRS. KLOTE: On the other side, with Coe.

H.M.JR: Lynch is on my side, and Feltus is on my side. White is on the other side.

MR. WHITE: I am on the winning side, and the Secretary is on the losing side.

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MR. PEHLE: I am with Harry on that.

H.M.JR: Say again who is opposite me.

MR. WHITE: Luxford, Coe, and Mrs. Klotz.

H.M.JR: Who else, Pehle, Blough, Fussell?

MRS. KLOTE: We all say he will be put on.

MR. GASTON: He is going on the Government payroll.

MR. PEHLE: That way we win either way.

MR. BLOUGH: A dollar a year doesn't count.

MRS. KLOTE: No, a dollar a year does not count.

H.M.JR: Thank you.

MR. BLOUGH: That wouldn't be fair.

MR. WHITE: This is not a pool in which the total is divided, each winner gets a package from a loser?

H.M.JR: No, no, no.

MR. WHITE: O.K., if you want odds.

H.M.JR: No, no, I didn't know how they would come out. I am looking after--that is the way we did the pool. (Laughter) I am looking after Feltus' interest. Isn't that the way you understood it?

MR. FELTUS: Yes.

H.M.JR: If White doesn't know how to gamble in a sportsmanlike manner--

MR. LUXFORD: Under these odds I think I will switch.
(Laughter)

H.M.JR: All right, we will call it off.

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MRS. KLOTZ: Where are you?

MR. LUXFORD: On White's side.

H.M.JR: Let me call it off; they want odds.

MRS. KLOTZ: You are afraid you are going to lose.

H.M.JR: No, I am willing to stay. I didn't know; I thought they might all be on my side. All right.

MR. WHITE: What do you think, Mr. Secretary, of considering telling either by a report or orally what happened at the last conference you had with the President, telling Truman that and maybe giving him the manuscript to read on the German book?

H.M.JR: I think it is a little early. I am going ahead with the German book, anyway.

MR. WHITE: Well, don't you think it is appropriate for him to have a report of your last conversation with the President? If you don't give it to him now, I don't think it is ever appropriate. Maybe I am wrong, but--

H.M.JR: I will think about it.

Well, how far did we get, as far as Feltus?

MR. WHITE: Feltus was giving us a little gossip.

MR. FELTUS: Incidentally, you mentioned Higgins. He is one of Fulton's clients.

H.M.JR: Who is?

MR. FELTUS: Higgins.

MR. HAAS: I have nothing.

MR. LYNN: Mr. O'Connell expects to be gone until Sunday. He was in Salt Lake City yesterday, and I haven't had any further word. That is all.

MR. FUSSELL: I have a V-E Day statement ONI wants cleared today and another one they want cleared tomorrow. I would like an O.K. on the one they want cleared today, Mr. Secretary.

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H.M.JR: What is the subject?

MR. FUSSELL: It is a general question and answer pamphlet they are preparing for V-E Day, and another on War Bonds.

H.M.JR: Clear it with Mr. Gaston, Mr. Gamble, and Mr. Bell.

MR. GASTON: It's a single answer to a single question. It doesn't amount to anything.

H.M.JR: But, you, Mr. Bell, and Mr. Gaston--you clear it with Mr. Bell and Mr. Gaston and Mr. Gamble.

MR. FUSSELL: The other part of the statement, the one that has to be cleared tomorrow, is a five minute broadcast by you as part of an hour's broadcast planned for at least two days after V-E Day. Will that be cleared the same way also?

H.M.JR: No. I'd like to see that if you would give it to Mrs. Klotz. Mark it that it has to be cleared by tomorrow.

Is there anything else?

MR. FUSSELL: No.

MR. SLOUGH: The Ways and Means Committee is holding two days of hearings on renegotiation and hopes to wind them up today. They meet again on Wednesday on reciprocal trade treaty extension, and the State Department and a couple of other agencies are testifying. They expect that may last as long as a month. Tomorrow the Joint Committee is meeting and may decide on some report on interim changes for the tax--in taxes.

H.M.JR: I think I ought to write the President a letter giving him that information, and if you can get that to me by two o'clock just telling him where the thing stands. I would give him a little review on what we have been doing

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since this thing began, see, saying we started last fall, and this is the thing--I'd give him a little history of what has been going on.

MR. BLOUGH: About one page?

H.M.JR: Two pages. Give him a little history on where we stand on this thing, and also add that we got along better with the Committee than we ever had since I've been here, see?

MR. BLOUGH: Yes.

H.M.JR: It is a good chance for me to find out what has been going on.

MR. BLOUGH: You would like that by two o'clock?

H.M.JR: Is that possible?

MR. BLOUGH: Oh, yes.

H.M.JR: That ought to go over.

MR. WHITE: If you are sending memos, what would you think about sending a memo suggesting that Mr. Truman is in a very strategic position to advocate an increase in salaries of Congressional people. He has had to live on that salary. He knows what it is. He is just coming in. Do you want to think it over?

H.M.JR: I don't think that's most important.

MR. WHITE: It is not most important.

MR. LUXFORD: It would be politically smart, Mr. Secretary.

H.M.JR: Let me think that over. This is, so to speak, spot news for him. He ought to know what this is.

MR. BLOUGH: That's all I have.

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H.M.JR: I do expect to see him this week and talk to him about Bretton Woods, though.

MR. WHITE: Why not--maybe there is an agenda--if you have time, have an agenda prepared, either in writing, or orally bring him up on all important things that the Treasury is engaged in, so he would be familiar with what is going on over on this front. Bring him up on the things that the Treasury is undertaking.

H.M.JR: Do you want to do that, sir?

MR. CHARLES BELL: Yes, sir. I like Harry's idea about proposing an increase in Congressmen's salaries, tying up everything under it.

H.M.JR: That is not Treasury business. I don't want to go to him right away with something that is not Treasury business. I'd like to go to him and summarize what the Treasury is doing. That was a good suggestion. I'd like to have it Wednesday. I am going to see him Thursday or Friday.

MR. BLOUGH: That doesn't cancel this?

H.M.JR: No, because that is spot.

MR. PERLE: I haven't anything, Mr. Secretary.

MR. GASTON: There is a Secret Service matter I should like to talk to you about for just a minute.

H.M.JR: All right, we can--who is going to be here with me on Brown?

MR. D. W. BELL: Mr. Gaston, Mr. White, Luxford, and Bernstein.

H.M.JR: Who?

MR. WHITE: Luxford and Bernstein weren't here.

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MR. D. W. BELL: They weren't here Saturday, but I have been talking with them this morning.

H.M.JR: Are they in a nice, gentle frame of mind?

MR. D. W. BELL: I think so.

H.M.JR: All right, and Lynch was here.

MR. D. W. BELL: He wasn't Saturday.

H.M.JR: But I tried to get him.

April 16, 1945
10:19 A.M.

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HMJR: Hello.

Operator: Nunan. Go ahead.

HMJR: Hello, Commissioner.

Commissioner
Nunan: Good morning. How is Mrs. Morgenthau?

HMJR: She is getting along nicely, thank you.

N: I was terribly sorry to hear about that.

HMJR: Commissioner, have you got anything that I can tell the public about what you have been doing on the Black Market tax evasion people?

N: Well, I just got back myself Friday night. I'll have the reports brought in and go through them, then I'll call you within an hour.

HMJR: Yeah, because I've got a press conference at four o'clock and I'd like to tell them something.

N: I'll do that. I'll have it all compiled for you.

HMJR: You want to come over here around three-thirty and tell me what you got?

N: Yes, sir. I'd be very happy to.

HMJR: Supposing you do that.

N: I'll do that.

HMJR: Thank you.

N: Thank you.

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April 18, 1945
11:10 a.m.

BRETTON WOODS

Present: Mr. D. W. Bell
Mr. Gaston
Mr. White
Mr. Bernstein
Mr. Luxford
Mr. Lynch
Mr. Ned Brown
Mrs. Klotz

H.M.JR: Well now, Ned, I would like to start where we left off when I last saw you, and that was that we had gotten as far--I don't know where that chart is. Have you got that chart, Harry?

MR. WHITE: No, but you can have both charts now. Do you want both charts now, the Bank and the Fund? Have you got that chart of the organization?

MR. LUXFORD: I haven't a chart of the organization.

MR. WHITE: Bernstein, are they in your office?

(Mr. Bernstein leaves the conference temporarily.)

MR. WHITE: Just the organization.

H.M.JR: Well, we will pick up where we left off. I haven't heard anything from the Hill. While we are waiting, Bell, have either you or Brown heard anything from Burgess or the bankers or the ABA?

MR. BELL: Not since I talked to you. I haven't since I told you last time he called up. I told him that I didn't have a thing for him.

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MR. BROWN: Well, I deliberately stayed away from any contact with Burgess since my talk with him on Friday or any of the bankers.

H.M.JR: I didn't know whether you had picked up anything around town that you passed along.

MR. BELL: I haven't.

H.M.JR: Saturday I said that it sounded fairly reasonable to me that the same man--I get mixed up on these titles--act as--

MR. BELL: Governor.

H.M.JR: And then we were talking about the next level below that.

MR. BELL: The Executive Director.

H.M.JR: Of which there are twelve.

MR. GASTON: Yes.

H.M.JR: And the question was why that man should hold both the position in the Bank and the Fund. Now, White, you are opposed to it, aren't you.

MR. WHITE: Yes. The history of that might throw a little light--when we first started out we thought there would be just one Governor for the Bank and one for the Fund, and that the Executive Directors would be elected from the Governors. That means that in the big countries the Governor and Executive Director would be the same, and in the smaller countries there would be an election. But there was objection to that, particularly from the British and others, so it was decided there would be appointment of a Governor and Executive Director so there would be--some thought in the early stages that the Governor and the Executive Director would be the same man on the Fund and separate men for Governor and Executive Director of the Bank, but in the later discussion that was abandoned.

H.M.JR: Well!

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MR. WHITE: In answer to your question I feel that the Executive Director ought to be a different individual, because I don't think that I am in agreement with Ned when he says that the problems are much the same. I think they are very different. I think a good deal of the information would be the same, but that information would be available in both cases, and there ought to be easy exchange of information of that kind which is provided for, but I think that the kind of decisions that would be made and the kind of attention that would have to be paid to the decisions are in my judgment of quite a different character.

H.M.JR: Well, what--

MR. WHITE: I will be glad to illustrate.

MR. BROWN: Largely based on the same set of facts, I might say, Mr. Secretary, that in Atlantic City Keynes argued very strongly that the Executive Directors, instead of being in continuous session, should meet only once a month or once every two months. His theory was that there wouldn't be enough to do to occupy the full time of a first-class man. But if they had meetings once a month or once in two months, the Finance Ministers and important people in various Governments would serve as Executive Directors, and if they were required to be in continuous session, there wouldn't be enough work to take up their full time.

MR. WHITE: And it was their position which I think throws light on that. And our position was precisely that that should not be the case because they were trying to make of that Fund an automatic operation. They were driving in the direction that a country ought to have the right of access to the resources and that therefore it was the administration that was important. It was our position that access to the resources was not a question of right, but was one of continued behavior and continued policy shaping, and we opposed it on that very ground, and the British were driving toward making this automatic, and we were driving in the opposite direction. That is why we refused to go along with that recommendation, you see, and there it bears right on the point.

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MR. BROWN: There is no question that the truth is somewhere between the two. I mean, according to Keynes' statement, they would sit there fiddling their thumbs, and it was ridiculous. On the other hand, I think that there wouldn't be tremendous and constant pressure of work because it would be a matter of settling the policy, deciding whether this country or that country should have a right of access, whether it meant that the conditions which would give the access to the Fund--I think that knowledge of the basic facts on which the policy decisions would have to be made would be very similar in the case of the Fund and the Bank. Of course, when it comes to the examination of particular projects in the Bank, it is a matter which would very largely have to be passed upon by the staff. I really think that combining the two might make the job more important, should attract able men to the job, than would otherwise be the case.

H.M.JR: Let me--Luxford and Bernstein agree on this?

MR. LUXFORD: We agree with each other.

H.M.JR: Will one of you save my time and express where you stand?

MR. LUXFORD: Mr. Secretary, I would like to express-- it won't take very long--that I don't think this thing is as grave an issue as has been suggested here. That is, I can't see how you can get excited about whether there is one man or two men. I think that--

H.M.JR: Nobody is excited.

MR. LUXFORD: Well, you must be, though, in terms of whether you would want to accept compromises where this is a factor. That is the crucial point, whether or not this is of serious enough magnitude, this objection, that, you might. We'd just say, "No, we can't accept that. It is an issue of principle." If it isn't of that character--

MR. WHITE: If it isn't, why can't the same thing be said both ways? If it isn't, let's have it our way.

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MR. LUXFORD: What is the price you are getting for it?

MR. WHITE: They must think it is important.

MR. LUXFORD: One reason is saving face. They can say, "We came out for one institution." This doesn't say we have gotten somewhere. We got coordination that we were urging by this consolidation.

H.M.JR: Why the hell should we save their face?

MR. LUXFORD: There is a very good reason, to get their support.

H.M.JR: I don't think we need it.

(Secretary holds a telephone conversation with Basil O'Connor.)

H.M.JR: That was Basil O'Connor. He wants to be sure Mrs. Roosevelt's big house--

MR. GASTON: The estate?

H.M.JR: ...continues to be protected--guarded. Do you want to just step out?

MR. GASTON: Yes, I will. Of course, the general understanding is we don't remove any of the guards until--

H.M.JR: Just step out a minute, Herbert. The big house at Hyde Park is to continue to get protection until further notice, Herbert--one man.

MR. GASTON: I suppose what we have had heretofore would be all right. It was a skeleton guard when the President wasn't there.

H.M.JR: Three men?

MR. GASTON: It takes about five to keep at least one man on duty all the time.

(Mr. Gaston leaves the conference temporarily.)

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MR. LUXFORD: Your question is a very pertinent one, why should we be interested in saving their face? I think the answer is if you expect to get their support, Mr. Secretary--and I thought that was what we were seeking--if we are seeking a basis for compromise--

H.M.JR: No, no, no.

MR. LUXFORD: I completely misunderstood the question.

H.M.JR: I can tell you and anybody in the room can ask me a question. What I want to do is to get the legislation through.

MR. LUXFORD: Then you are asking the same question I am. This is what I am interested in doing, Mr. Secretary.

H.M.JR: It gets down to two or three people in New York, and I don't know--and the thing that bothers me is that Mr. Brown has told me that we might agree with Burgess, and then Mr. Aldrich won't agree. We are talking about two or three individuals.

MR. LUXFORD: No, I wasn't, Mr. Secretary; I was talking about three things, the American Bankers Association, the Reserve City Bankers, and the New York City Bankers Association. If you haven't got them, you haven't got what I am after. But that, it seems to me, is the stake at least we are playing for. We either get this organization support or we don't get it.

H.M.JR: I haven't crossed that bridge yet all. What I am trying to do here is something--in the first place, I am trying to get legislation through.

MR. LUXFORD: We all are.

H.M.JR: And the second thing is, certain thoughts have been brought up. Are they reasonable? And I am not, just in order to try to convince Mr. Aldrich, going to agree to something I don't think is reasonable. Let me address myself to Mr. Brown a minute.

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I am not going to get something through that, thank you.

MR. GASTON: On that guard business, we used to have the skeleton guard I spoke about until--there has been a military guard around the house, and that military guard is going to continue, and we have been, for some time past, when the President was not there since the military guard was put on, simply having a man at Poughkeepsie go over to the house every day, and there has been no guard when the President wasn't there, no Secret Service guard, but just a daily visit when the President wasn't there. There has been a military guard and Public Buildings Guard for the library twenty-four hours a day. Do you think that ought to be changed?

H.M.JR: That is what they want; they want a guard. They would like a guard on the house until they can turn around.

MR. GASTON: We haven't had that in the past since the twenty-four hour military guard--

H.M.JR: They have taken the military guard away?

MR. GASTON: The Chief tells me not.

H.M.JR: Leave it this way, the house should have some kind of protection, either military or Secret Service. They don't care what kind as long as there is protection.

MR. GASTON: That was the plan. It would go on indefinitely, I think.

H.M.JR: Oh, just as long as it is necessary.

MR. GASTON: I am sorry to interrupt you.

H.M.JR: That is all right.

MR. WHITE: It is clear, Mr. Secretary, the way the legislation is drawn now that the President would have the authority to put either the same man in both places or not.

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It leaves the decision with him. Is that understood?

H.M.JR: Yes, but just let me get this thing straight here. I am not going to just in order to try to attempt to get the support of these organizations when I want them to do something in regard to this legislation--I don't think it is feasible or workable, and that is number one.

Number two--I mean, I am approaching this thing from a wholly detached viewpoint as an afterthought. Well, this thing and that thing--is it all right? And the reason I am approaching it from that point is, I think as soon as we give them this much they will ask for more and more. I don't think anything would satisfy them. I don't know whether you agree with me or not.

MR. BROWN: Well, I think if you can get the support or the acquiescence of all the opposition it will mean that the legislation will go through the House and the Senate, and it will go through, not on the basis of a party vote, but a very large majority, which I think would be very helpful. I don't care anything about the ARA, the Reserve City, or the New York State Bankers, or any other group as such, but I think it is highly important that this legislation should be adopted, if possible, by a vote that is not split--that is not split on Republican or Democratic lines.

H.M.JR: I am sorry.

(Secretary holds a telephone conversation with Basil O'Connor.)

MR. GASTON: I got that. I think we can arrange that with the General in charge up there and the Area Commander.

H.M.JR: What are they going to do, keep a military guard there, Herbert? I don't think they will; I think they will pull it out.

MR. WILL: Not right away, but eventually.

H.M.JR: What will they keep all these M.P.'s. up there, two or three hundred of them, for?

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MR. GASTON: Well, they are up there in that area, anyway, and they might as well be there as anywhere; this is to be a public museum and grounds eventually.

MR. WHITE: As a plain citizen, may I ask why these grandchildren have to be protected by the Government?

H.M.JR: Until the 1st of May against kidnapping.

MR. WHITE: Oh, are they any more vulnerable than anyone else?

H.M.JR: Oh, yes, they always have--just until this publicity dies down. It is merely a continuation of what has been the practice for two weeks after the President's death.

MR. BELL: My question would be whether it was long enough. July 1 would be my suggestion.

H.M.JR: They only asked for two weeks.

MR. GASTON: What the Chief and I agreed on was thirty days--at least thirty days--and then we would review the situation again. I will check up on that military guard there, but the Chief told me they were planning to stay on there indefinitely.

H.M.JR: If the military guard is there--

MR. GASTON: They can take care of the little house on the hill, yes, as long as they stay.

H.M.JR: I am sorry.

MR. BROWN: Going on, I would say that if it can be passed by a large majority other than a partisan vote, it is highly desirable. I don't think that anything ought to be conceded which would necessitate the agreement of other Governments. That is number one, and I think everybody is agreed to that.

Number two is, I don't think anything ought to be considered which would interfere with the working of the plan. I don't believe that the question of having the same

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man as Executive Director of the Fund and the Bank would. As a matter of fact, I honestly believe it would increase the efficiency of the two, but at any rate, I don't think it of much importance whether they are one man or two men, and if it would help to get this thing through, all well and good. For some reason the opponents have all urged that the two ought to be consolidated. This is a means of consolidating them, as far as general policy is concerned, in management. It doesn't mean any consolidation of their actual operations.

H.M.JR: Well, let's go to the next one, because I want to eventually talk to you people about--I don't want to talk about the question of trading with these people. I want to get out of trading on this thing, and I don't have too much confidence in Burgess' power to deliver anybody.

MR. WHITE: I think it is fair to say, Mr. Secretary, that the assumption of this discussion is this--if I get the point of the consensus of the group or unanimous feeling of the group--that this in turn will be a statement either to Wolcott or others that would keep some Republicans satisfied, that those groups are satisfied. If you don't get that, I take it that the tenure of the conversation alters so that it is not a question of getting Burgess' approval or getting some, but rather--

MR. BROWN: Getting Wolcott and his followers to agree.

MR. WHITE: Getting it clear to the Republicans that what they would call a compromise would be satisfactory to them and they would no longer oppose the legislation. We would start with that, and to be sure this is not a vital question, and if it were a question of getting their support or not on the basis of this, that is a different story, but I hope we don't fall into the assumption of what would be an error--every time something doesn't matter, to say, "Let's have it their way." If it doesn't matter to us, it doesn't to them, either. If it matters to them, we want to examine it.

MR. D.W. BELL: This isn't their way.

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MR. WHITE: It is their recommendation.

MR. BELL: They recommended that the two institutions be combined.

MR. BROWN: I think for better or worse I would take the responsibility of suggesting to Burgess the possibility of having a common Board of Governors as a means of saving his face, if he wants to compromise, which wouldn't require going back to the other countries or wouldn't require a new conference.

MR. GASTON: You suggested that as an out to Burgess?

MR. BROWN: One of the things he was talking about was that the Bank and Fund ought to be combined.

I said that was out. It was the consensus of the other forty-four or forty-three countries that it can't be done. I don't see as it is any good. If you say it is important that the two policies ought to be the same, I would say, "It might be that if the United States appointed the same man as Executive Director or Governor of the two, my guess is that without binding any other country to do likewise most of the other countries would do so. They would follow our example." I mean, I don't think he just seized on it as a means of retreating, call it face-saving if you want to. Face-saving is awfully important for people as a means of getting out of it. And I want to make it clear that in all my discussions with him I wasn't trading for anybody. I was just trying to see what could be done that wouldn't involve a new conference or agreements with other countries which would afford a means of the ARA withdrawing its opposition.

H.M.JR: Does this have to be in the law? Does it have to be written?

MR. LUXFORD: Yes.

MR. WHITE: The way it is now it is optional with the President. He can make it one man or two, or start with one and then make it two.

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H.M.JR: It is optional now?

MR. WHITE: This would make it mandatory.

MR. BENNETT: Under this it would be one man, but he would have two assistants. The alternative is it could be two men.

MR. BELL: To get the benefit of it you certainly have to have it in the legislation somewhere along the line to get Wolcott and his colleagues, plus the support of outside groups.

MR. WHITE: You don't know that yet.

MR. BELL: That is a question to be decided later on, and the tactics you want to follow. I understood that when you had your first discussion that was one of the things you wanted to get out of it.

MR. WHITE: You don't know whether Wolcott would make that a condition of his support now. If he did, I certainly think it would be worth while. If that were a condition--if you could get Wolcott's support--

MR. LUXFORD: That is what we are after.

MR. BELL: I thought that was one of the purposes.

MR. LUXFORD: That is what we are after.

MR. WHITE: No. I mean we are considering the merits of these things, how much you would have to give and be willing to give in order to get legislation through, in order to get a large majority, or something.

H.M.JR: So far, if Wolcott would say, "I would vote with you on what we have discussed so far, I would be glad to give in on that. I mean if he would give it to me with no if's, and's, or but's, I would take Wolcott's word. I mean, how to approach Wolcott is something else again.

All right, the way I am now--you people have read this thing, and Spence says no.

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MR. LUXFORD: Mr. Secretary, I could say this, that I am confident Mr. Spence wasn't familiar with what we were talking about, that if he were, I think he might reconsider.

H.M.JR: That is an assumption.

MR. LUXFORD: It is one I would be willing to bet on, Mr. Secretary.

MR. WHITE: Particularly if you had a chance to explain it.

MR. LUXFORD: Of course. But the question is whether you can get Spence's support, and his answer is you can get it.

H.M.JR: Let's get along. I have only got fifteen minutes. What is the next one?

MR. WHITE: The next, Mr. Secretary, are a number of statements which are directives to the Executive Director that he will exercise full powers to accomplish the following, that he will be certain to do this and that. Most of it, I would say probably ninety-five percent of it is acceptable. There may be some changes in wording that might be mutually agreed upon.

There remains the larger question-- I don't think it is terribly important--that remains in my mind as to the peculiar procedure whereby you agree to certain documents and pick out certain things you tell your Executive Director to be sure and abide by, but I don't think it is important one way or another if we can agree on the other five percent of the wording, which I think we could. We can run over them if you like. There are four or five paragraphs.

H.M.JR: No, no, no. Let's just say that for a minute and talk about the relationship of the Advisory Board to the American Governor. And I gather there is a difference of opinion as to what the authority is of this Advisory Board. Is that right, Ned?

MR. BELL: Yes.

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H.M.JR: I said Ned.

MR. BROWN: Oh, I think certainly an Advisory Board is almost necessary from the standpoint of our Government. It would seem conceivable to me that there should be some group following this very closely from State and Treasury, Commerce, and the Federal Reserve Boards whose business it would be to know what is going on, and I think their powers have got to be more than merely advisory. I think they have got to be directory to a certain extent. Whether they are directory or merely advisory, I think, is really unimportant, because if the Board is in a position to know what is going on and there is a divergence between the different departments concerned, ultimately the matter has finally got to be settled by the President; and if the Board is composed of people appointed by the President and removable by him, whether it is to be given directive powers or whether it is limited to an advisory function seems to me to be relatively unimportant or absolutely unimportant, because I think that the result would be the same in both cases.

I think on the Board as set up the Secretary of Commerce ought to be included. I don't believe that any President of a Federal Reserve Bank nominated by the Open Market Committee ought to be in there, because I don't think any member of the Board ought to be other than a Presidential appointee. I think that the Governor of a Federal Reserve Board who is removable by the President ought to be the member, or also if you want to, you could take care of the situation by having one member of the Board provided it be a member of the Board nominated by the President, who may be removed at his pleasure. At any rate, the final authority has got to go back to the President in case of a disagreement amongst the departments mainly concerned.

H.M.JR: Well, there is no argument between myself and you on that.

MR. BELL: On the latter?

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H.M.JR: As to who should be on the Board.

MR. BELL: That is what I mean.

H.M.JR: Secretary of State, Secretary of Treasury, Secretary of Commerce, and Chairman of the Federal Reserve Board, and I wouldn't worry--and whoever is the officer in charge of the Export-Import Bank.

MR. BELL: You could have--well, I don't know.

MR. BROWN: I don't think you want to go any further than that. If you proceed to get Labor, Agriculture, and so forth, you get mixed up with too many people.

MR. WHITE: You mean the top people? It might be the Federal Loan Administrator.

H.M.JR: Whoever the supervisor--

MR. WHITE: Whoever is on top. For example, now it would be Crowley.

H.M.JR: Tomorrow it might be State.

MR. WHITE: The Federal Loan Administrator.

H.M.JR: Wherever it rests.

MR. WHITE: As distinct from the President of the Export-Import Bank, who reports to somebody else.

H.M.JR: That is right.

MR. BELL: I agree.

H.M.JR: Whatever agency it finally lodges in, or as it would, wandering from one agency to another.

MR. BROWN: It has been under three now.

H.M.JR: If the FEA has any continuing powers, then that would be the logical place for it, particularly since

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it also has control of the Export-Import Bank. It has a lot of things to do with winding up Lend-Lease, property sales, and so forth.

H.M.JR: Well then, we agree as to who should be on the Board, but it is a question as to what authority the Board should have, the Advisory Board.

MR. BROWN: I don't think whether it has got authority to advise if it is composed exclusively of people appointed by the President, makes any difference. I think the final result is the same, and I think it has got to have more advisory powers than the Federal Reserve Advisory Council has, for instance, based on my experience.

MR. WHITE: But the way it is written here they have pretty specific powers, and though it is true they are Cabinet appointees, they are also Senate confirmations, and that means you don't change somebody of that character on the basis of some decision made here. There are a lot of other major issues so that the degree of Presidential or administrative control over decisions that there may be some difference of opinion about is greatly attenuated by the kind of instructions given here.

MR. LUXFORD: Can we meet that by saying, "Subject to the approval of the President they shall have the power?"

MR. WHITE: There can be some language to get in between the purely advisory which would have no powers, and that which would exercise so much that it would make a pure messenger boy of the representative so he wouldn't be able to sneeze without running back to the Council.

MR. LUXFORD: Wouldn't that do it? Say they can decide general policy subject to the approval of the President?

MR. BERNSTEIN: You wouldn't give them power to assent, why the Government of the U. S. must assent.

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H.M.JR: Well, gentlemen, I am not going to give in on that. That is that, and this thing of the CED saying that the Bank can make--

MR. WHITE: I thought you said that was quite acceptable.

H.M.JR: What else is there?

MR. LUXFORD: Are you troubled about the withdrawal provision, Harry?

MR. WHITE: That should be mentioned.

MR. REENSTEIN: Maybe one of the directives might get special attention, and that is the one on the report two years after enactment of the legislation.

MR. WHITE: That is in the language of five percent.

MR. LUXFORD: That is where you have included it, but we have got to discuss it.

MR. WHITE: By five percent I don't mean five percent in importance. I mean five percent in volume of verbiage.

MR. LUXFORD: The issue there is under the legislation presently drafted you are requiring our representatives on the Board and Fund and Council to report to Congress within two years on how the Fund is operated, whether it should be the Fund and Bank, whether they should be continued as one institution or two institutions. Now, that is the issue, whether you put that language in there.

MR. BELL: They have that authority whether you put it in--

MR. WHITE: We can argue that and get a satisfactory compromise among ourselves before we state it to you. The way it is stated now it is two years from enactment of the bill. It allows a year of operation and starts out as though they expect the thing to fail, and the recommendation should be made on these and specific points, but I think it would be--

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MR. BROWN: I think it is just nonsense myself one way or the other like a requirement of the Federal Reserve Board to issue a report to Congress every year recommending changes in banking laws. It does, but nobody pays any attention.

H.M.JR: Right. The question I have today is this: Gentlemen, I don't think that any of these things are sufficiently important that if we could get Mr. Wolcott, it is worth trying. Now, I am stressing Wolcott rather than Burgess.

MR. LUXFORD: We are both looking at that end.

H.M.JR: If Mr. Wolcott wants to contact Mr. Burgess and say, "Does this satisfy you," that is all right. But now Mr. Wolcott impressed on me very, very strongly when it came to handling the Congress and how he was going to vote and what he was going to do, the technique, and he reminded me of how he was going to try to be helpful on OPA last year, and the Congressman from Texarkana almost made it impossible for him to be helpful--what's his name?

MR. GASTON: Wright Patman.

H.M.JR: Now, I think this: If that is all there is to this thing--is that all there is to it?

MR. WHITE: Well, there is, as I say, those changes. Well, those changes may be important.

H.M.JR: You have got all your faculties.

MR. WHITE: Don't dispose of it with just that kind of--well, it is still in abeyance.

H.M.JR: I am going to let you decide with your own men.

MR. WHITE: We can work something out. This Council, as it stands now, with the approval of the President is also directed to coordinate all the activities of all the departments and agencies of the United States relating to monetary matters.

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MR. LUXFORD: No, international.

MR. WHITE: International, yes.

MR. LUXFORD: You have got the people who are going to coordinate it anyway, State, Treasury, and Commerce, on the Board.

MR. WHITE: Well, I am sure if the Secretary understood the full impact of that he would hesitate a long time before accepting it. Before we bring it up tomorrow we can change the language back in such a way that it would be acceptable.

H.M.JR: The Secretary of State, Federal Reserve Board, Commerce, Treasury, and whoever is head of the agency where the Export-Import Bank happens to rest for the moment is to coordinate things, of which the Secretary of the Treasury should be chairman? What? Is that what you are objecting to?

MR. WHITE: That is right. Do you know what coordinate means? I don't.

MR. BELL: Isn't that what you've been working for?

H.M.JR: Sure. Take a look at what the Open Market Committee is supposed to do and what I actually do. There is no strict interpretation--the Open Market Committee could tell me to jump in the Potomac. I mean, they call me up and tell me they will do this in the Government bond market--they will do this and that, and the President of the New York Stock Exchange called me up and asked if he should stay open or close. There is nothing in the law about that.

MR. BELL: That is the way it should work.

H.M.JR: It depends on how much enthusiasm the Secretary of the Treasury has.

MR. WHITE: I think that is true.

H.M.JR: Look at the Federal Reserve Board. I mean, Ned Brown says he can't find out--he is Chairman of the advisory thing, and he can't find out what they do.

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MR. WHITE: It is directed to coordinate the activities. I say that phrase is vague enough. It may mean very much or very little.

MR. LUXFORD: Depending on the men at the top.

H.M.JR: It depends upon who is then Secretary of the Treasury. If it is a weak man and a very strong Secretary of State, he may do it, but while we are talking here, there is a move on that all foreign representatives should be on the State Department pay roll.

MR. LUXFORD: There is a bill in to that effect.

H.M.JR: And Rosenman talked to me last night on the train.

(Mrs. Klotz enters the conference.)

H.M.JR: He said there was going to be an economic czar in each embassy who will direct each thing in the country from there, not from New York, but from there. I can't get very excited.

I tell you, gentlemen, let's think over the next move. That doesn't mean White can--

MR. WHITE: I am sure we can get an agreement on these now that we have come to you again.

H.M.JR: I would like to have another meeting, at which Acheson must be present, on how we approach Spence and Wolcott. And my own feeling as of day is, I would like to think some more about what our approach would be to Spence and Wolcott, and let Burgess and the rest just stew a little longer, see. We won't worry about it. Is that all right with you, Ned?

MR. BROWN: Yes. I am not--

H.M.JR: Does that make sense?

MR. BELL: I don't think it is important now. I think these meetings will be over today, and as far as getting to this particular group is concerned, you might as well delay it.

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H.M.JR: We made progress in twenty-four hours. At least I have mentally.

MR. BROWN: I repeat what I said before, without knowing anything about it, that seven or eight people talk to New York, and with each of those talking to seven or eight more, it is inconceivable to me that the knowledge of these New York discussions isn't in the hands of Wolcott or some other Republican Member of the Banking and Currency Committee. I think that the sooner it is discussed with them from the Treasury side, Spence at least, the less chance there will be of feeling that you are dealing behind their backs.

H.M.JR: All right.

MR. WELL: It seems to me Eccles ought to be brought in some place along the line.

H.M.JR: I told you--

MR. WELL: We have told Ronald Ranson and Szymczek and Goldenweiser all about the meetings and how far we have gone, and they have told other members of the Board, including Eccles. Now, I think where you go from here in changing it, Eccles ought to be in on it.

MR. WHITE: Or if you have a meeting with Dean, Eccles ought to be here.

H.M.JR: That suits me. All right, will Gaston and Bell just stay behind a minute? Thank you, Ned; I am much obliged.

MR. BROWN: Not at all.

H.M.JR: I am mentally progressing on this thing.

April 16, 1945
11:24 A.M.

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Operator: Go ahead.

H.M.JR: Hello.

Mr. Basil O'Connor: Henry, I'm sorry to bother you, but I'm calling about the ex-President's estate.

H.M.JR: Please.

O: I don't know whether or not he actually decided to the Government the mansion and a part of their property, nor do I know whether he made an agreement to do it. It's one of the things he did through Lytel. Now I knew about it in general, but since he was doing it that way, I just didn't bother about it. But I don't know what actually transpired. Now I'm checking that through Justice but heretofore, I understand that before the funeral or anything like that -- before his death that, I'm told -- that there were Secret Service men watching the mansion, and in addition to that a matter with which you have no concern nor has the Army, but we're using the M.P. school boys up there -- at the M.P. school also to patrol and really get their exercise that way, and their training. Now, of course, I'm anxious that their place be protected at least for a minute until we can get our breath. See?

H.M.JR: You mean the big house?

O: Yes, the big house. Now do you know whether or not the Treasury has --- has had Secret Service men up there?

H.M.JR: I can't say off-hand. Herbert Gaston is here, let me ask him a minute.

O: Yes, and if they have can you keep it, and if they haven't, is there some way of having some up there to watch it?

H.M.JR: What are you interested in? -- I don't get -- I--

O: I want -- I'm interested in people not going in and robbing the big house or anything in it.

H.M.JR: If you are interested in --- that the big house continue to have protection, I can say now we'll do that.

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O: Well, thanks, Henry.

HMJr: Is that what you want?

O: That's what I want. If you take it right off my mind that way, I'll be very much indebted to you.

HMJr: I'll see that the big house at Hyde Park has protection day and night.

O: Thanks, Henry.

HMJr: Is that what bothers you?

O: That's what bothers me very much, for you see, we are shipping the stuff up from here, too....

HMJr: Until some other arrangements can be made?

O: Right.

HMJr: I'll do that.

O: You're a sweetheart.

HMJr: That's easy, ask me something hard.

O: No. Thanks, Henry, no, no. Mrs. Roosevelt will appreciate it very much, because I've just been talking with her.

HMJr: That's easy, that's easy.

O: Thanks, Henry, fine.

April 16, 1945
11:34 A.M.

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Operator: Go ahead.

HMJr: Yes.

Mr. Basil O'Connor: Henry, forgive me. I not only meant the big mansion, but I meant his new cottage, you know, too.

HMJr: Well, that's very difficult.

O: I know it is and so.....

HMJr: That's very difficult.

O: All I'm doing is making the statement. Now if you find out ultimately that it is difficult - period - call me back, let me know in two or three days.

HMJr: Yeah -- you mean the cottage up on the hill.

O: Yes, his new one.

HMJr: Yeah, well, that may be difficult.

O: Yeah, unless you can have a roaming guide or something like that. However, you just take it cold. You see what I mean?

HMJr: Yes.

O: And do what -- if you find that is impossible, let me know, will you?

HMJr: O.K. Now, Basil...

O: Yeah.

HMJr: ...I've agreed, you know, to keep a guard on the grandchildren - all of the, you know, at least until the first of May.

O: Yes.

HMJr: Which I think is very important.

O: Yes, I think so too.

HMJr: But, I'll take a look at it.

O: Yes, all right, Henry. Bye.

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April 16, 1946
3:55 p.m.

PRE-PRESS

Present: Mr. D. W. Bell
Mr. White
Mr. Gaston
Mr. Fussell
Mr. Blough
Mr. Shaeffer
Mr. Lane
Mr. Engelsman
Mr. Lynch
Mrs. Klotz
Miss Chauncey

H.M.JR: What do you have? If you have anything as good as last time, it's good.

MR. LANE: I have a lot in quantity. I don't know what you want. Our poster is just off the press today. It is going to be in the mails tomorrow. I thought you might want to show that to the boys, (indicating poster).

(Mr. Lynch enters conference)

MR. BELL: I thought it was the other way. Isn't that backwards, reversed from what it was?

MR. GASTON: I don't think so.

MR. LANE: We raised the flag a little for composition.

MR. GASTON: You opened up the flag.

MR. LANE: That's right, we opened it up a little. I have two short stories, one of which is typed up, one on figures on interim sales, which goes for the three months between the Sixth and Seventh War Loan, which have been forty-one percent ahead of where they were for the three months between the Fifth and Sixth War Loan Drives. I have another little story--

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MR. BELL: That's January, February, March, or-- is that due to--

(Mr. Blough and Mr. White enter conference)

MR. LANE: That's January, February, and March as compared with September and October.

MR. BELL: Do the limited purchases have anything to do with it?

MR. LANE: It could be.

H.M.JR: Yes. The big jump is in January.

MR. BELL: Yes. Not all of it, though.

H.M.JR: No.

MR. BELL: One hundred and fifty million in February and one hundred and ninety million in March.

H.M.JR: Would you use that?

MR. BELL: Yes, I think that's good news. I wouldn't have used it if it is all in January, but it's not.

MR. LANE: That's E's, F's, and G's. There are some copies there if you want them. I don't know whether you want to get into this, but these magazine covers with the messages from Admirals and Generals are starting to come in, just these first few proofs.

H.M.JR: No.

MR. BELL: If you do mention it, I would mention the fact that January is included, which is part of the increase.

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MR. LANE: Here is this V-mail promotion we are bringing up again for the Seventh War Loan, and there might be a pretty good angle in that that the Army and Navy are picking that up for the Seventh War Loan and just changing the form very slightly, and the Army has ordered eight hundred thousand of those forms and the Navy has ordered about five hundred thousand, to have the boys in the service buy a bond and fill it in with the names of their mother and father or what have you.

H.M.JR: Do you want me to promote that from here?

MR. LANE: I just picked it up. I don't think it is of any major importance.

H.M.JR: Are you going to put it on the Associated Press wire?

MR. LANE: We can. The forms themselves are not back from the printers yet, so this may be a little premature. This is the poster for issuing agents.

H.M.JR: Is that what it is going to be like?

MR. LANE: In color this business here (indicating)-- it's practically the same. It's a Christmas design except the thing there has been cleaned up, see?

H.M.JR: You don't think this is a little early?

MR. LANE: It might be. I don't know whether you want a lot of material today or not. The only other fact I have may be news to you or may not be. The War Finance Division of the Treasury is over its quota.

MR. ENGELSMAN: Sure.

MR. LANE: I just got a figure of sixty-eight, three seventy-five.

MR. ENGELSMAN: We have raised three times as much from bonds this time than in the Sixth War Loan over and above the regular pay roll for the War Finance Division.

H.M.JR: The War Finance Division.

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MR. GASTON: The employees there.

MR. BELL: Is that voluntary?

MR. ENGELSMAN: Well, we asked them. We get about ten thousand dollars a month, and we have thirty-five thousand dollars additional subscribed already, and that is excluding Mr. Gamble. I was waiting for that, Mr. Bell.

H.M.JR: It's kind of expensive to work over there.

MR. ENGELSMAN: It averages nearly two hundred dollars per person.

H.M.JR: I am glad I work over here.

MR. ENGELSMAN: Gamble of course pushed that up a bit, too.

MR. ALLEN: For those three months it is twenty-two percent of our pay roll for those three months going into war bonds, twenty-two percent.

H.M.JR: That's all right. What else have you got on the plants?

MR. ENGELSMAN: I just came back from Baltimore. I spoke at a meeting there at lunch, so--

H.M.JR: Nothing particular?

MR. ENGELSMAN: We have one firm that went over the top of four hundred and one-half million dollars, Chrysler and Dodge, Chicago, but they asked us to withhold publicity because they would like to have their final figures from the accounting department.

H.M.JR: I think just one isolated case is not so good.

MR. ENGELSMAN: No, that's just a big one.

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H.M.JR: Now, where's Fussell? What suggestions have you got to make?

MR. FUSSELL: Well, we have been getting a great many more inquiries on Bretton Woods during the last two weeks than we have had before, and I really think that's something worth while.

H.M.JR: What can I say? The hearings are going to start again, aren't they? That's about all.

MR. FUSSELL: The President came pretty close to mentioning Bretton Woods in his address there.

H.M.JR: Not close enough.

MR. WHITE: He missed it by about seven miles. He mentioned the economic cooperation.

H.M.JR: What else have you got?

MR. FUSSELL: I have nothing else. I have a little comment here on that prohibition and black market stuff, but I don't think it is worth while at this time.

H.M.JR: What did the President say in his speech? How did he put it about carrying on? What did he say? You haven't got his speech, have you?

MR. FUSSELL: I don't have his speech.

MR. SHAEFFER: I have one copy. It is outside for you if you haven't got it.

H.M.JR: Get it quickly.

(Mr. Shaeffer leaves conference temporarily.)

H.M.JR: What did he say on that?

Who said that about Sewell Avery as Secretary of Commerce?

(Mr. Shaeffer reenters conference.)

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MR. GASTON: We only have one copy so I didn't get a chance to read it.

H.M.JR: Herbert, look and see if it is on that sheet. I'll see if it is on this one.

MR. BELL: It's pretty close to the beginning.

MR. GASTON: It's right here in the beginning, isn't it?

MR. BELL: After he had talked for just a few minutes.

MR. WHITE: About one-third of the way down, Herbert.

MR. GASTON: Here.

MR. D.W. BELL: I thought it was right in the few lines after he--

MR. FUSSELL: That's what I thought.

H.M.JR: It's not in my part.

MR. GASTON: Where is that? That's about the nearest to our stuff.

MR. BELL: We must carry on. He impressed upon us the grave responsibility for carrying on.

H.M.JR: All right.

MR. GASTON: Do you want to look at that black market summary?

H.M.JR: No, I talked with what's his name. I'll tell you--I have asked if and when a case passes the General Counsel of the Internal Revenue if it is a case at that time, and he says it is a case at that stage. I can talk about it publicly. I wish you would think about it.

MR. LYNCH: I think you can.

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H.M.JR: The Internal Revenue says I may. It's just a question of usage. When it leaves their office and goes to the Department of Justice, that is when they say we have a case and I can begin to talk about it.

MR. GASTON: One case, I think, does not do an awful lot of good. I was thinking particularly of that liquor black market thing. I think we should adopt some means to give some of the boys an outline of a whole big job that is being done there so they can overshoot on it, so we would have those cases come up.

H.M.JR: I don't think we can do it today.

MR. GASTON: I don't think we can, no.

HOLD FOR RELEASE HOLD FOR RELEASE HOLD FOR RELEASE

APRIL 16, 1945

CONFIDENTIAL: To be held in STRICT CONFIDENCE and no portion, synopsis or intimation to be published or given out until delivery of the President's message to the Congress HAS BEGUN.

Release expected about 1:00 P.M., E.W.T., April 16, 1945. The same release also applies to radio announcers and news commentators.

CAUTION: Extreme care must be exercised to avoid premature publication.

JONATHAN DANIELS
Secretary to the President

Mr. Speaker, Mr. President, Members of Congress:

It is with heavy heart that I stand before you, my friends and colleagues, in the Congress of the United States.

Only yesterday, we laid to rest the mortal remains of our beloved President, Franklin Delano Roosevelt. At a time like this, words are inadequate. The most eloquent tribute would be a reverent silence.

Yet, in this decisive hour, when world events are moving so rapidly, our silence might be misunderstood and might give comfort to our enemies.

In His infinite wisdom, Almighty God has seen fit to take from us a great man who loved, and was beloved by, all humanity.

No man could possibly fill the tremendous void left by the passing of that noble soul. No words can ease the aching hearts of untold millions of every race, creed and color. The world knows it has lost a heroic champion of justice and freedom.

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

So much blood has already been shed for the ideals which we cherish, and for which Franklin Delano Roosevelt lived and died, that we dare not permit even a momentary pause in the hard fight for victory.

Today, the entire world is looking to America for enlightened leadership to peace and progress. Such a leadership requires vision, courage and tolerance. It can be provided only by a united nation deeply devoted to the highest ideals.

I call upon all Americans to help us keep our nation united in defense of those ideals which have been so eloquently proclaimed by Franklin Roosevelt.

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

(OVER)

So that there can be no possible misunderstanding, both Germany and Japan can be certain, beyond any shadow of doubt, America will continue the fight for freedom until no vestige of resistance remains!

We are deeply conscious of the fact that much hard fighting is still ahead of us.

Having to pay such a heavy price to make complete victory certain, America will never become a party to any plan for partial victory!

To settle for merely another temporary respite would surely jeopardize the future security of all the world.

Our demand has been, and it remains -- Unconditional Surrender!

We will not traffic with the breakers of the peace on the terms of the peace.

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

Lasting peace can never be secured if we permit our dangerous opponents to plot future wars with impunity at any mountain retreat -- however distant.

In this shrinking world, it is futile to seek safety behind geographical barriers. Real security will be found only in law and in justice.

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

In the difficult days ahead, unquestionably we shall face problems of staggering proportions. However, with the faith of our fathers in our hearts, we fear no future.

On the battlefields, we have frequently faced overwhelming odds -- and won! At home, Americans will not be less resolute!

We shall never cease our struggle to preserve and maintain our American way of life.

At this very moment, America, along with her brave Allies, is paying again a heavy price for the defense of our freedom. With characteristic energy, we are assisting in the liberation of entire nations. Gradually, the shackles of slavery are being broken by the forces of freedom.

All of us are praying for a speedy victory. Every day peace is delayed, costs a terrible toll.

The armies of liberation today are bringing to an end Hitler's ghastly threat to dominate the world. Tokyo rocks under the weight of our bombs.

The grand strategy of a United Nations' war has been determined -- due in no small measure to the vision of our departed Commander in Chief. We are now carrying out our part of that strategy under the able direction of Admiral Leahy, General Marshall, Admiral King, General Arnold, General Eisenhower, Admiral Nimitz and General MacArthur.

I want the entire world to know that this direction must and will remain -- UNCHANGED AND UNHINDERED!

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

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

Within an hour after I took the oath of office, I announced that the San Francisco Conference would proceed. We will face the problems of peace with the same courage that we have faced and mastered the problems of war.

In the memory of those who have made the supreme sacrifice, -- in the memory of our fallen President, -- WE SHALL NOT FAIL!

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

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

In bitter despair, some people have come to believe that wars are inevitable. With tragic fatalism, they insist that as wars have always been, of necessity, wars will always be. To such defeatism, men and women of good will must not and can not yield. The outlook for humanity is not so hopeless.

During the darkest hours of this horrible war, entire nations were kept going by something intangible -- hope! When warned that abject submission offered the only salvation against overwhelming power, hope showed the way to victory.

Hope has become the secret weapon of the forces of liberation!

Aggressors could not dominate the human mind. As long as hope remains, the spirit of man will never be crushed.

But hope alone was not and is not sufficient to avert war. We must not only have hope but we must have faith enough to work with other peace loving nations to maintain the peace. Hope was not enough to beat back the aggressors as long as the peace-loving nations were unwilling to come to each other's defense. The aggressors were beaten back only when the peace loving nations united to defend themselves.

If wars in the future are to be prevented the peace-loving nations must be united in their determination to keep the peace under law. The breaking of the peace anywhere is the concern of peace-loving nations everywhere.

Nothing is more essential to the future peace of the world than continued cooperation of the nations which had to muster the force necessary to defeat the conspiracy of the fascist powers to dominate the world.

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

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

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

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

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

With confidence, I am depending upon all of you.

To destroy greedy tyrants with plans of world domination, we cannot continue in successive generations to sacrifice our finest youth.

In the name of human decency and civilization, a more rational method of deciding national differences MUST and WILL be found!

America must assist suffering humanity back along the path of peaceful progress. This will require time and tolerance. We shall need also an abiding faith in the people, the kind of faith and courage which Franklin Delano Roosevelt always had!

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

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

May we Americans live up to our glorious heritage.

In that way, America may well lead the world to peace and prosperity.

At this moment, I have in my heart a prayer. As I assume my heavy duties, I humbly pray to Almighty God, in the words of Solomon:

"Give therefore thy servant an understanding heart to judge thy people, that I may discern between good and bad; for who is able to judge this thy so great a people?"

I ask only to be a good and faithful servant of my Lord and my people.

SENATE SUBCOMMITTEE ON FOREIGN TRADE FOR SMALL BUSINESS

Statement for the Secretary

It is a happy augury that your interest in an expansion of foreign trade for small business coincides with one of the principal objectives of the program drawn up at Bretton Woods last summer, and now pending before this Congress.

All of the 44 nations participating in that conference recognized that a large volume of foreign trade is essential to the realization of the United Nations' hopes for a prosperous and peaceful world. We in this country have a special stake in this program since we, more than most countries, must carry on a large volume of trade abroad in order to insure full utilization of our manpower and productive facilities at home.

As our late President said, when hostilities cease and war production tapers off, we must find jobs for approximately 60 million people. Little business, in my opinion, is one of the most promising areas for an expansion in post war employment. The Bretton Woods proposals, by stabilizing rates of exchange and encouraging the revival of private international investment, will go a long way--indeed, farther than we have ever gone before--toward removing the obstacles that have prevented small business from participating in foreign trade on a significant scale.

Small business has not played a prominent role in this country's foreign trade for two principal reasons. Let me summarize them briefly.

The small businessman has not had adequate information concerning markets abroad. The Government's foreign commercial service has not

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been equipped either to collect the detailed information concerning potential buyers or to disseminate that information in this country. I shall have something further to say on this point a little later.

Even if he had this information, the small businessman has always been confronted with the discouraging and dangerous complexities of fluctuating exchange rates. He may be an authority on the manufacture of furniture, bicycles, specialized electrical appliances, or textiles, but he does not understand the workings of the foreign exchange market, nor is he able to employ specialists who are.

But the truth of the matter is that in the past, and particularly during the period between the wars, a successful foreign trader had to be also a dealer in foreign currencies. This was necessary because the values of currencies in terms of one another were subject to constant yet unpredictable change. Unless he had the means and the ability to hedge, the exporter's normal business profits might be wiped out overnight by fluctuations in exchange rates--a business he did not understand, one that he had no intention of entering. Yet that was the business that too often controlled his margin of profit, or loss.

A producer who undertook to sell abroad, therefore, had to have a certain agility as well as large resources against possible adverse fluctuations in exchange rates. By dealing in forward exchange on a sufficiently large scale, any loss sustained from the depreciation of foreign currencies received in payment of exports was offset by corresponding gains from the hedging transaction in the speculative exchange market. This is an entirely legitimate practice. It is more than that:

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it is an essential part of every foreign trader's daily transactions. These operations provide a sort of insurance which, however, are costly; they require capital as well as an expert knowledge of a field that has always been a mystery to the layman.

As a result, the little businessman has in the past profited from foreign trade only indirectly. And if on occasion he succeeded in making a sale abroad, he was in the unfortunate position of banking too heavily on the stability of a single currency. That is to say, he did not have the advantage of spreading his risks, much less covering them through hedging operations, so that a slight alteration in a single currency vis a vis the dollar was generally enough permanently to dampen his enthusiasm for markets abroad.

The Bretton Woods proposals, when adopted, will provide all of the elements of stability. They will require all countries to define their currencies in terms of gold, and having defined them, to maintain them within one percent of that value. They will also hasten the removal of all artificial barriers against the making of payments across international boundary lines, and encourage a revival and an expansion of private international investment. Once stability of exchange rates is achieved, American investments abroad will have as their counterpart an immediate and direct foreign demand for American goods. Many of these demands, if for goods not suited to mass production, must be filled by little business or be passed on to suppliers in other countries.

Through the War Production Board, the SWPC and the procurement offices

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of the armed services, production for war has been distributed throughout American industry, to large and small plants alike, according to their respective capacities and specialized abilities. Likewise, in the post war period the opportunity to reach markets abroad must be open to small as well as large business.

In my opinion, a government representative in every economically important consular office abroad should be designated as a Small Business Specialist. The Specialist should be directed to seek out, stimulate, and find possible markets in the foreign country for specific products which small American industries might produce and export. The search should be concentrated on products not customarily exported by large American enterprise, products which do not lend themselves to assembly-line or quantity production. Outlets for such commodities will increase our total volume of foreign trade and help toward achieving full employment.

The reports from the Small Business Specialists would filter back through government channels to some such agency as the Smaller War Plants Corporation, which could use existing facilities to disseminate the information to all small manufacturers who might be interested.

Probably the small plants will find it advisable to pool their facilities as a means of improving their competitive position in foreign markets. In particular, they might find it advisable to adopt a common trademark, and under the provisions of the Webb-Pomerene Act form pools solely for the purpose of operating in competition with foreign-owned cartels.

If I have gone a little beyond the topic that you expected me to cover,

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it is because I am convinced that the future welfare of the United States is intimately associated with the survival and the expansion of small business. And while the Bretton Woods program will provide the necessary setting, something in addition will be required to small producers and foreign buyers together.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE
April 16, 1945

TO Secretary Morgenthau
FROM Mr. Luxford

For your information

Attached is the text of Stettinius' speech in Chicago. The whole speech deals with the economic side of the peace.

For your convenience in checking the particular portions which may be of interest to you, I have placed a single blue pencil line along the margin of that portion of his speech dealing with the general argument for economic cooperation (pp. 3 to 5), and I have put three pencilled lines along the margin of that portion of the speech relating specifically to the Bretton Woods Agreements (pp. 6 and 7).

Attach.

DEPARTMENT OF STATE

FOR THE PRESS

APRIL 3, 1945
No. 290

CONFIDENTIAL RELEASE FOR PUBLICATION AT 8:30 P.M., C.W.T.
(9:30 P.M., E.W.T.) WEDNESDAY, APRIL 4, 1945. NOT
TO BE PREVIOUSLY PUBLISHED, QUOTED FROM OR USED IN
ANY WAY.

ADDRESS BY THE HONORABLE EDWARD R. STETTINIUS, JR.,
SECRETARY OF STATE, BEFORE THE COUNCIL ON FOREIGN
RELATIONS AT CHICAGO, ILLINOIS, APRIL 4, 1945, AT
8:30 P.M., C.W.T. (9:30 P.M., E.W.T.) TO BE BROAD-
CAST OVER THE MUTUAL BROADCASTING SYSTEM.

I welcome this opportunity to come to the Middle West to
talk over with you some of the problems and objectives of
United States foreign policy.

My father was brought up in St. Louis and began his busi-
ness career in Chicago. I was born in Chicago and began my
own career in business in the automobile industry.

I feel that here I am among old friends and in familiar
territory. And I know also what a tremendous contribution
the Middle West is making in this war. From your homes -- and
from your factories and farms -- has gone forth a vast out-
pouring of men and weapons and food to help win victory on
battlefronts nearly halfway around the world from Chicago.

We are fighting this war in order that all Americans may
gain the opportunity to live securely and in peace. I say
opportunity -- for victory in itself, as we all know but some-
times forget, will not be enough. Victory is the essential
condition of our success, but not the assurance of it.

The foreign policy of the United States is directed
toward providing that assurance -- in combination with
domestic policy. Our objective in all our relations with other
nations is to prevent aggression abroad from again disturbing
the peace of the United States and to develop those condi-
tions of international life that will make it possible to main-
tain high levels of productive employment and farm income and
steadily rising standards of living for all the American
people.

This is a tremendous undertaking. We face difficulties
and dangers whose magnitude it is hardly possible to over-
estimate. Idealism and good intentions will not be sufficient.
Our only chance of success is to face squarely the realities
and to pursue a course of action firmly based upon these reali-
ties. Without bold, realistic and effective action it will
not

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not be possible to prevent this war from being followed by
economic collapse and economic anarchy far more disastrous
than the depression of 1929; nor will it be possible to pre-
vent another war from bringing bitter sorrow and suffering to
every American home.

Of one reality I believe the great majority of the people
of the United States are now wholly convinced, and I do not
believe the people of the Middle West are any different in
this matter from people in other parts of the country. After
two World Wars and a terrible world-wide depression, all
within the space of twenty-five years, we are convinced that
political isolationism and economic nationalism are utterly
unrealistic and can only lead on to complete disaster for our
country and for the world.

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

In other words, since we live in a world where every
nation has become virtually our next-door neighbor, we cannot
achieve our objectives alone, but only in the close coopera-
tion that neighbors in any American town are accustomed to
practice in settling affairs that mutually concern them.

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

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

I know that many of you would like to hear from me tonight
a discussion of temporary difficulties of a political nature
that have recently arisen in connection with the San Francisco
Conference. I regret that I shall not be able to do so,
because the United States Government is at this moment engaged
in very active efforts to resolve these difficulties and there
is little that I can add tonight to the statement which I
made yesterday in reference to some of them.

I do, however, want to say this much. I have full confi-
dence that we shall be able to resolve these difficulties --
and others of this nature that will inevitably arise as we
approach the end of the war.

We are going right ahead with our plans for the San Fran-
cisco Conference and we are resolved to make it the success
that it must be. I ask you to remember: first, that the
United Nations have repeatedly overcome other difficulties
and dangers far more serious in the past three years;

second,

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second, that the vital national interests of the United States and of each of our allies are bound up in maintaining and cementing in the peace our wartime partnership; third, that the extent of our agreement is far wider and more fundamental than the extent of our differences. If we keep these facts constantly in mind, we shall be able to keep our sense of proportion.

Tonight I want to speak to you about other issues that are of fundamental and long-range importance to the future well-being of the United States and to the success of the World Organization. They are issues that call for the utmost that we as a people can give to their successful resolution.

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

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

It is the second part of that statement to which I refer and about which I wish to speak to you particularly tonight -- the removal of the political, economic and social causes of war. That is the responsibility which will fall principally upon the Assembly and the Economic and Social Council of the Organization, rather than upon the Security Council. That is the task to which the energies of the United States and the other members of the World Organization must be principally directed now and in the years following the war.

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

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

That is another of the realities upon which our foreign policy is based.

As I have said, we face a task of extreme difficulty.

The battles of this war have left in their wake destruction of factories and homes and transport that is unparalleled in history. This damage has to be repaired.

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The demands of war production have distorted the economies and the economic relationships of all nations as never before and have made necessary restrictive government controls of all sorts on normal business and agriculture. The transition from war to peace economy will challenge our patience and ingenuity to the utmost.

We and our fighting allies alike have enormously increased our national debts and our allies have, in many cases, incurred heavy new international debts as well.

Add to all this the fact that when this war began we had an inheritance of years of economic warfare among nations and that we have this earlier damage, as well as the damage caused by the war, to repair. This earlier economic warfare took many forms -- restrictive government monopolies and private cartels, artificial restrictions on exchange, currency manipulation, high tariffs, quotas and other artificial barriers to profitable foreign trade and investment.

Finally, we have to face the fact that never before in our history, even in the periods of our greatest prosperity, have we attained a volume of production, trade and employment and a national income that came even close to what we have achieved in response to the demands of this war.

In order to achieve high levels of employment after this war -- and to make sure that the men who return from the battlefronts will have secure jobs and good wages -- it is estimated that we shall have to reach and maintain a national income in the neighborhood of 180 billion dollars, compared to the highest figure we ever reached before the war -- less than 85 billions in 1929. This, we hope, will provide close to 80 million jobs, year in and year out, compared to the previous peacetime peak of 47 million in 1929.

Our problem thus adds up to this:

We know that we have the physical ability to reach the higher level of production that we must have, because we have done it in this war. We have added enormously to our productive capacity and unlike many of our allies, our factories and farms have escaped entirely the destruction of war. But in peacetime we cannot reach this high level of production unless we can find markets abroad as well as at home for our investment and our goods and services.

We know also that much of the world will emerge from this war in desperate need of supplies and equipment from us to get their own economies going again, but that they will often not have the money to pay for what they need until they have succeeded in restoring their own productive economic life.

We know also that short-sighted economic nationalism, either on their part or on ours, would prevent any real recovery and would therefore destroy the markets we need and lead to unemployment and depression in our own country.

What we have to do is to match our need for full production with the world's need for our products in such a way as to reach and maintain over the years a permanently higher level of international trade -- and to maintain it on a sound and profitable basis.

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I have already stressed the difficulty of doing this. But I have seen too much of the achievements of American industry -- both its management and its workers -- and I have too much faith in American enterprise and initiative to think that it is impossible. On the contrary, I believe we as a nation have before us the greatest opportunity in our history to achieve in this generation the substantial fulfillment of the purposes of the American way of life.

Once in a while one of my business friends speaks to me of government planning as if it were either ridiculous or dangerous. I reply that when I was in business, planning was fundamental to successful management and I don't suppose things have changed since. It seems to me that to assemble all the pertinent facts, analyze them, and then plan ahead on the basis of these facts is merely the most elementary common sense. If those of us who are in positions of responsibility did not plan ahead, we would be guilty of criminal negligence.

The United States Government has a well-rounded and carefully prepared program to achieve the results we seek in our foreign economic relations. We have been working actively on this program right through the war, and developing it step by step in consultation with our allies and with the Congress and people of the United States and preparing to put it into effect. The Atlantic Charter; The United Nations Declaration; the meetings at Moscow and Tehran, at Dumbarton Oaks and in the Crimea; the establishment of UNRRA; the conferences on food and agriculture at Hot Springs, on the International Bank and the Monetary Fund at Bretton Woods, and on international aviation here in Chicago; and the Inter-American Conference at Mexico City -- these have all been steps in the development of this program.

It is a program that is aimed at expansion, not restriction. It is rooted in the American traditions of freedom and enterprise.

You already know a good deal about this program, but you may not all have seen how each part was related to the other and to the whole, nor how closely linked this program is to steady jobs and better pay and higher farm income in this country and to the assurance that your sons and mine will not have to fight another and greater war twenty-five years from now.

We begin with UNRRA, which is an emergency and temporary agency created to assist in meeting the urgent needs of relief in liberated countries. It is already functioning.

The UNRRA program is a modest one. Probably four-fifths of the relief job will be done by the liberated countries themselves.

The purpose of UNRRA is to help the liberated peoples get enough food to eat, clothes to wear and a roof over their heads -- relief which will make it possible for them to start earning a living again. It will not, however, meet the enormous problems of reconstruction -- the rebuilding of destroyed or damaged factories and homes, the provision of raw materials and industrial machinery, and the supplies required for the restoration of agricultural production.

I should

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I should like at this point to state again what the President and other officials of the Government have often stated before.

It has never been intended to use Lend-Lease for post-war reconstruction or for any other purposes except those concerned with fighting and winning the war. And these are the only purposes for which Lend-Lease has been used. Lend-Lease is solely a war measure.

I make this statement because of the repeated distortions and mis-statements that continue to be made on this subject. The core of our whole post-war foreign economic program is the expansion of private trade and the encouragement of private enterprise, with such assistance as is required from the Government to maintain high levels of production and employment.

We are resolved that the terms of the Lend-Lease settlement shall not be such as to endanger this program by placing unnecessary and restrictive burdens upon our commerce with other countries. We do not want war debts to smother trade this time as they did after the last war, and to poison relations between countries.

On the contrary, Article VII of the Lend-Lease Agreements with our principal allies in this war provides that the terms of the settlement shall be such as to expand production, employment, the exchange and consumption of goods, to eliminate all forms of discriminatory treatment in international commerce and to reduce tariffs and other trade barriers.

To meet the urgent needs of reconstruction, many of the countries which have suffered from the war will be able to buy a part of what they need out of their current resources. But the dollars and the gold that they now have or can acquire through their exports in the immediate future will be wholly inadequate to the dimensions of the task.

It is clearly evident that international credits in large volume and at reasonable rates of interest will be necessary to tide them over the next few years. It is also clearly evident that private investment cannot do a job of this magnitude unsaid by the Government, especially in the unsettled conditions that will follow the war.

To help meet this and related needs -- the plan for an International Bank for Reconstruction and Development and an International Monetary Fund was agreed to by the United Nations delegates at the Bretton Woods Conference and is now before Congress for approval.

The principal purpose of the Bank is to guarantee loans made by private investors for sound foreign projects of reconstruction and development and thus to extend the scope of private international investment.

Without the Bank I do not believe it will be possible to bring about the economic recovery of some of our best potential customers abroad and the development of the resources of other countries which can also buy products from us in large quantities if they have the money. China and many of the American Republics are outstanding examples of countries in this latter category.

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This is an important point which is often overlooked or misunderstood. Sound industrial and agricultural development abroad does not take customers away from us. On the contrary, past experience has proved time and again that the countries which buy the most from us are those whose economies are the most highly developed. Great Britain, for example, was our best pre-war customer. Canada, with a population of less than 12,000,000, bought more from us before the war than all of South America with a population of almost 90,000,000.

Economically undeveloped countries are not good customers because they do not have enough income to pay for purchases from us. Therefore the influence of the Bank in advancing industrial and agricultural development in such countries will be of direct advantage to our export trade. The more wealth they produce and the higher their national income, the more they will wish to buy from us and be able to pay for.

The essence of the plan for the International Monetary Fund, which your fellow townsman, Mr. Edward Brown, had a part in drafting, is an agreement on rules governing foreign exchange which will provide some assurance to international traders and investors of the value of the money they are dealing with and to exporters that they will get paid for their exports in their own money and not in some blocked foreign currency they cannot use.

The proposed Fund will not provide loans for reconstruction. But the substantial stabilization of the world's currencies which it will make possible when it goes into effect will be essential to sustaining a high volume of international investment and trade.

As a supplement to the International Bank and to private capital in the tremendous task of restoring peacetime production and trade in a world exhausted and bled white by war, we plan also to ask Congress in the near future to expand the lending authority of the Export-Import Bank. This Government institution has a ten-year record of profitable operations. It operates principally through private banks, manufacturers and exporters. Its capital is already largely utilized. It will have to have substantially increased capital to help meet the urgent needs for economic reconstruction and for rebuilding trade. And obviously if lending by private investors or the Export-Import Bank, or by private investors with the guarantee of the International Bank, is actually to take place, Congress must remove the restrictions of the Johnson Act and similar legislation.

Thus we have UNRRA and other emergency relief measures, which prepare the way for the tremendous tasks of reconstruction.

We have the International Bank and other financial measures to make possible the financing of this economic reconstruction and of further economic development in the immediate post-war years. And we have the Monetary Fund providing for stabilization of currencies on a basis of gold and for ending economic warfare in the form of currency manipulation and exchange restrictions.

These

-8-

These are the foundations for building up the extensive and profitable international trade which is essential to high levels of production and employment in the United States.

Last year our wartime exports were valued at more than 14 billion dollars. Our greatest previous volume of peacetime exports was scarcely more than one-third of that figure. I do not suggest that it will be possible, or that it will be necessarily desirable, to export 14 billion dollars' worth of products a year in peacetime. But specialists in this field do estimate that it will be necessary to approach the figure of ten billion dollars a year if we are to maintain our production and employment at the levels we seek.

Only the most vigorous measures to remove artificial barriers to trade will make it possible for us to reach this goal after the war. We have, first of all, to remove wartime restrictions as rapidly as the paramount requirements of defeating Japan, as well as Germany, will permit.

We have also to work toward a general lowering of the tariff barriers which prevailed before the war.

I hear it often said that high tariffs protect the American living standard. If there are any tariffs that really do that, I favor maintaining them. I also believe in looking at the record in these matters. What does the record show?

It shows that, actually, high tariffs today act as a depressing influence upon the living standard of the American people. The record shows that on the average the wages paid by the highly protected industries are lower than the wages paid by those industries which have little tariff protection or none at all. Our most efficient industries pay the highest wages and need no tariff protection.

The record also shows that consumers - and every American is a consumer -- have to pay more for products manufactured by highly protected industries than they would if more of these products were imported. This means they have that much less money to spend for other products they would like to buy.

In thinking of tariffs, we have also to bear this in mind: our exports are the imports of other countries just as our imports are their exports. If we impose unfair tariff barriers that prevent Americans from buying from other countries products they would like to buy if they could, then we invite retaliation by these countries against our exports of products that we would like to sell to them.

It was this sort of competition in tariffs that strangled trade, restricted production and stimulated economic warfare before the war. We cannot afford to let it happen again.

We do not need to fear imports. On the contrary we need imports of many commodities in order to live, because we do not produce them ourselves. We need more imports to replace some of our own raw material resources that we have

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320

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-9-

have consumed in such tremendous quantities in fighting this war. More imports mean not only more goods for American consumers, but more jobs and income for Americans engaged in the processing and distribution of imports. Finally, without more imports other countries will not be able to pay us for the increased exports that we seek.

For every reason of our own national interest it is my firm conviction that tariffs must be further lowered in the next few years, both by other countries and by ourselves.

In the last five years before the war we sought through the reciprocal trade agreements program initiated by my great predecessor Cordell Hull to repair some of the damage done to our economy by the Hawley-Smoot tariff bill. We made considerable progress in spite of the economic warfare which Germany and Japan were then pursuing and the generally unfavorable conditions which prevailed. Recognizing its efficacy, Congress has three times renewed the Trade Agreements Act since it was first passed.

Now it is necessary to move further. The Act is again before Congress for extension. As it stands it authorizes reductions in our tariffs up to fifty per cent of the excessively high rates in effect in 1934. A good part of this authorization has been used up in the negotiation of the 28 trade agreements now in effect.

We need more bargaining power in persuading other countries to reduce their tariffs against our exports. We have therefore asked Congress to authorize an amendment which will apply the fifty per cent limit to the tariff rates as they stood in 1945 instead of the higher rates of 1934. This will give us a new *"quid pro quo"* in negotiating new agreements with other countries.

In addition to restrictive tariffs, there are other obstacles to wider trade and an expanding economy for the United States and the rest of the world. Preferences and quotas, for example, are artificial restrictions on trade between nations and export subsidies encourage uneconomic production, upset the world market and invite retaliation. In agreement with other countries we must seek the means by which we can substitute for these practices other measures better calculated to maintain a healthy and expanding international trade.

We must also deal vigorously and effectively with international cartels. These restrictive and monopolistic agreements among private business interests fix prices, limit production, prevent the use of new inventions and productive techniques, arbitrarily divide markets and have in general a dangerous and throttling effect upon international trade. The evil effects of international cartels can be prevented only by supplementing national by international action against them and by taking the other measures which I have outlined to ensure that all nations will be able to live better without such practices than with them.

Some of our most serious economic problems arise out of chronic world-wide surpluses of such commodities as wheat and cotton. You in Chicago remember what happened to wheat farmers in this country after the last war

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when the bottom dropped out of the market for wheat and tens of thousands of farmers lost their homes and their livelihood. We do not want to see a repetition of that.

It is important that Governments act together to deal with the problem of such surpluses primarily by cooperative measures to expand consumption, such as I have outlined tonight. In the exceptional cases where commodity agreements are necessary, they should be directed toward shifting excess productive resources into more profitable lines, and both consuming and producing countries should be fully represented. Otherwise individual governments will continue trying to deal with them by such deceptively easy routes as artificially supported prices and competing export subsidies. As we have learned from bitter experience, these can only lead to economic warfare and in the end make the problem worse instead of better for all concerned.

These problems and others like them can be faced and handled in time only by calling a conference of the principal trading nations of the world. We shall do all in our power to have such a conference convened within the next year. This conference would also prepare the way for establishment of a permanent trade organization within the framework of the World Organization, to deal with these problems on a continuing basis.

In the field of food and agriculture, we are further advanced. The President last week asked Congress to approve United States participation in the United Nations Food and Agriculture Organization. This Organization results from the Conference at Hot Springs in 1943. Eighteen nations have already ratified the agreement for membership. We should do so too.

The Food and Agriculture Organization will have powers of recommendation only, not of control or command, but I believe with the President that its work can do much to raise the standards of nutrition of all peoples and to establish and maintain expanding prosperity for agriculture in our country and in all countries.

The food organization, like the other post-war international agencies to which I have referred this evening, would all eventually come within the framework of the World Organization when it is established.

I think you will agree that the program upon which we have begun is of great scope. It must be so if we are to deal successfully with problems and difficulties of equal magnitude.

The close cooperation of the United Nations in a program for economic reconstruction and expansion such as I have outlined to you tonight is fundamental to the success of the World Organization. Without it the world will be able neither to recover from the effects of this war nor to prevent the next war.

There are many pitfalls ahead of us. So closely is each part of the program interlocked with the other parts that if we fail to carry through on any important sector of this peace front, the whole program and our overall objectives will be placed in gravest jeopardy.

If we

-11-

If we fail we are not likely to get another chance to fulfill the purposes for which we have fought -- the assurance of a secure peace and a decent life for all Americans.

The task will require the utmost of us as a people in clear thinking, in understanding of where our real interests lie and in the ability to act courageously and wisely -- and in time.

I return to the point at which I began. The preservation of peace requires something more than a desire for peace, no matter how strong that desire may be. It requires, in a world as complicated and as closely inter-knit as this modern world of ours, a great design. It requires, in other words, the same courage, the same boldness and realism in the field of international affairs which the citizens of this Republic, and of this great central valley, have so often demonstrated in the past.

If we Americans are proud of one thing more than of any other, we are proud of the fact that our forefathers were willing to face tremendous and complicated problems and to bring to them new and daring solutions. And there are no Americans who take more pride in that tradition, than the Americans of these great central states.

Believing in America as I do, I am confident that we will meet this greatest crisis of our modern history as we have met all the crises of our history before. I believe that we will act with understanding of where our real interests lie -- wisely and courageously and in time -- and that we will force the difficult circumstances of our time to yield up to us the sure and enduring peace which we are determined to leave to those who will follow us in this country we love so well.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date April 16
1945

TO Secretary Morgenthau
FROM Randolph Feltus

For your press conference today, I suggest that you restrict mention of Bretton Woods to the following:

Hearings will be resumed in the House this week. Witnesses on both sides will be heard fully before hearings are closed. No change in the handling of this legislation is contemplated as a result of President Roosevelt's death.

✓
April 16, 1945

MEMORANDUM FOR THE PRESIDENT

For your information I want to indicate the work being done on the problem of revising Federal taxes for the transition and postwar periods. This problem has been under consideration for some time by the Congressional Joint Committee on Internal Revenue Taxation for Postwar Taxation, under the Chairmanship of Representative Doughton. On this work it has had the services of the Treasury tax staff as well as of the Joint Committee staff.

The Treasury Department has been cooperating closely with this Committee. In my opinion, which I believe is shared by Congressional tax leaders, relations between the Treasury and the Congressional tax committees are more cordial and on a more effective level of cooperation than at any time since I have been Secretary of the Treasury.

The Joint Committee is scheduled to meet Tuesday morning, April 17, to consider suggestions for tax revisions to be applicable during the interim period between V-E day and the end of the war. It is expected that it will report to the House Committee on Ways and Means and the Senate Finance Committee in the near future.

Concentrated work on postwar tax revision began in June 1944. The Congressional Joint Committee on Internal Revenue Taxation at that time made itself into the Joint Committee on Internal Revenue Taxation for Postwar Taxation by adding a Republican member from each House, thus giving equal party representation on the Committee. A resolution was passed calling on the staff of the Joint Committee and the Treasury tax staff (including the Bureau of Internal Revenue) to work as a unit on the study of postwar tax revisions and to submit facts, materials and suggestions to the Congressional Joint Committee.

copy to Director

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The two staffs have worked closely together as a unit. They have made extensive research studies. They have conferred with a large number of business, labor, and agricultural groups. Beginning in December 1944, they have submitted a series of reports to the Joint Committee, including reports on the outlook for expenditures and revenues and on the postwar economic outlook. Recently they have submitted tax suggestions for the interim period between V-E day and the end of the war.

The two staffs are continuing their tax studies and expect to submit further suggestions covering the longer-run transition and postwar periods.

Steps have also been taken to coordinate the tax thinking of the different agencies in the executive branch of the Government. About a year ago I invited the heads of several agencies to appoint high-level technical men to an informal working inter-departmental tax committee. The composition of the committee is flexible and varies somewhat, depending on the subject under consideration. At the present time the Director of War Mobilization, the Director of Economic Stabilization, the Director of the Budget, the Director of the Office of Price Administration, the Chairman of the Federal Reserve Board, and the Secretary of Commerce, as well as the Treasury Department, are represented on the committee. This group holds weekly meetings and has, I believe, been very helpful in developing a mutual understanding of tax problems among the agencies involved and a unified administration position.

The ability of the Committee on Ways and Means to consider tax legislation at this time is affected by its other responsibilities. This Committee expects to conclude hearings today on the extension of renegotiation beyond its present expiration date, June 30, 1945. It is scheduled to begin hearings Wednesday, April 18, on the extension of the power of the President to negotiate reciprocal trade treaties, which expires June 12, 1945. A large roster of witnesses is expected to be heard and the House hearings might last as long as a month, according to present advice.

RB:dad
4/16/45

(Signed) Henry Morgenthau, Jr.

April 16, 1945.

My dear Mr. President:

The United States Secret Service, as I have no doubt you know, is an arm of the Treasury Department.

Its responsibility for guarding the lives and safety of Presidents and their families is one which all of us in the Department take very seriously. I myself have devoted a great deal of time to supervising this work.

I hope therefore to have an opportunity soon to talk to you about the organization of the White House detail. I should like to suggest that in the meantime we do not attempt to reorganize or to make any permanent assignments.

Sincerely,

(Signed) H. Morgenthau, Jr.

The President

The White House

RE/mah

*Envelope marked
confidential*

Miss Channing
APR 15 1945

Dear Mr. McMillan:

Before the Seventh War Loan drive begins I want to thank you for the splendid cooperation and untiring energy you have given the Treasury's program for war finance.

The success of the program in Alabama is due in large measure to your keen interest and able leadership. Through your efforts and those of the other State Chairmen, a total of 168 billion dollars has been invested in Government securities by non-bank investors, of which 84 billions was bought by individuals alone, and today more than 85 million Americans hold War Bonds.

This is a remarkable achievement, and one that has proven a great source of strength to your Government. It demonstrates in a very concrete way that our democratic way of life is stronger and our leadership more intelligent than that possessed by any despotic power.

I know that you are finding a two-fold satisfaction in this work. You are selling your fellow citizens the safest investment in the world—a share in America—and at the same time you are helping them to supply the funds needed to win the war and secure the peace.

The Seventh War Loan will challenge the enthusiasm and determination of all of us, especially since the \$4 billion E Bond quota is the largest of all drives to date. I know that you will meet Alabama's \$49 million share with the same undaunted resolution as before. May I express again heartfelt thanks for your past cooperation and best wishes for success in the tasks that lie ahead.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Ed Leigh McMillan
War Finance Chairman
2002 Comer Building
Birmingham 3, Alabama

PJC:JWM:rs
Typed 3/30/45

Letters for the Secretary's signature addressed to following
State Chairmen, with appropriate state quotas inserted:

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Chairman's Name	State	Quota in Millions
Mr. Ed Leigh McMillan	Alabama	\$ 49
Hon. Ernest H. Gruening	Alaska	1.6
Mr. Walter R. Risson	Arizona	15
Mr. W. W. Campbell	Arkansas	28
Mr. Wm. F. Crocker	Calif. (North)	164
Mr. Robert H. Moulton	Calif. (South)	184
Mr. Philip K. Alexander	Colorado	31
Mr. Eugene E. Wilson	Connecticut	79
Mr. Henry T. Gush	Delaware	10
Mr. Wilmer J. Waller	District of Columbia	48
Mr. W. W. McEachern	Florida	50
Mr. Fred H. Kanne	Hawaii	18
Mr. John A. Schoonover	Idaho	13
Mr. Renslow P. Sherer	Illinois	279
Mr. Eugene C. Pulliam	Indiana	104
Mr. Herbert L. Horton	Iowa	82
Mr. John S. Nollen	Iowa	82
Mr. W. Laird Dean	Kansas	55
Mr. Leon G. Tujaque	Louisiana	49
Mr. Phillips M. Payson	Maine	20
Mr. F. Winchester Denio	Massachusetts	140
Mr. Frank M. Isbey	Michigan	226
Mr. O. J. Arnold	Minnesota	80
Mr. Rex I. Brown	Mississippi	29
Mr. Walter W. Head	Missouri	101
Mr. A. T. Hibbard	Montana	16
Mr. W. Dale Clark	Nebraska	43
Mr. Forest B. Lovelock	Nevada	4.5
Mr. Franklin D'Olier	N. J.	148
Mr. Gale W. Carson	New Mexico	9
Mr. Frederick W. Gehle	New York, N.Y.	460
Mr. Clarence T. Leinbach	North Carolina	53.5
Mr. F. L. Conklin	North Dakota	18.5
Mr. Phil J. Trounstone	Ohio	238
Mr. A. E. Bradshaw	Oklahoma	45
Mr. E. C. Sammons	Oregon	55
Mr. G. Ruhland Rehnann	Pennsylvania	288
Hon. Martin Travieso	Puerto Rico	4.1
Mr. Roderick Pirnie	Rhode Island	24
Mr. Christie Benet	South Carolina	25
Mr. Walter H. Burke	South Dakota	18
Mr. O. Cecil Woods	Tennessee	48
Mr. Nathan Adams	Texas	168
Mr. Charles L. Smith	Utah	20
Mr. Levi P. Smith	Vermont	6.5
Mr. Francis P. Gaines	Virginia	63
Mr. Reno Odlin	Washington	86
Mr. A. C. Spurr	West Virginia	34
Mr. Walter Kasten	Wisconsin	89
Mr. Fred W. Marble	Wyoming	6



OFFICE OF
COMMISSIONER OF INTERNAL REVENUE

ADDRESS REPLY TO
COMMISSIONER OF INTERNAL REVENUE
AND REFER TO

TREASURY DEPARTMENT

WASHINGTON 25

April 16, 1945

MEMORANDUM

TO: Secretary Morgenthau
FROM: Mr. Numan

The tax drive against irregular currency operations and black market activities has been organized on a nationwide basis and many angles are in process of development. A large volume of material has been dispatched by the Bureau to the field services and local sources of information also are being thoroughly canvassed by the field forces. A great variety of these cases are now under active investigation.

A number of completed cases are now under consideration with the view to prosecution. These are typical of the class of cases now under investigation by the various field offices. In keeping with the policy of the Department, however, I believe it would be unwise to give the names and other information concerning these cases until indictments are returned. One of the cases involves a taxpayer of Cincinnati who is described as a black market machinery and metals operator and a free spender of currency in casinos and night clubs. This case is now under review by the Chief Counsel. A second case relates to a black market dealer in electric appliances at Chicago and this case also is receiving the attention of the Chief Counsel.

The third case involving a wholesaler of wines, liquors and groceries in Indianapolis will be referred to the Chief Counsel this week. During 1943 approximately 94,000 cases of whiskey were sold by this taxpayer at prices in excess of OPA ceilings, totalling \$172,298.98 which amounts were not recorded on the taxpayer's books or reported in the tax return. Prosecution of this taxpayer for the year 1943 will be recommended.



Page 2
Memorandum
Secretary Morgenthau

A partnership engaged in the meat packing business in Los Angeles willfully understated its sales for 1942 and 1943 and thereafter filed amended returns reporting additional sales of \$285,000. Examination of the income tax liability of the partners disclosed that in addition to the \$285,000 there were other items aggregating \$235,262 which constituted additional income and had been willfully omitted. This case has been referred to the Chief Counsel.

Another case involving a wholesale and retail liquor dealer of Washington, D. C., has been approved by the Chief Counsel for prosecution and is now pending in the Department of Justice.

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FROM: Mr. Wunan

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A number of completed cases are now under consideration with the view to prosecution. These are typical of the class of cases now under investigation by the various field offices. In keeping with the policy of the Department, however, I believe it would be unwise to give the names and other information concerning these cases until indictments are returned. One of the cases involves a taxpayer of Cincinnati who is described as a black market machinery and metals operator and a free spender of currency in cabarets and night clubs. This case is now under review by the Chief Counsel. A second case relates to a black market dealer in electric appliances at Chicago and this case also is receiving the attention of the Chief Counsel.

The third case involving a wholesaler of wines, liquors and groceries in Indianapolis will be referred to the Chief Counsel this week. During 1943 approximately 94,000 cases of whiskey were sold by this taxpayer at prices in excess of OPA ceilings, totalling \$172,298.98 which amounts were not recorded on the taxpayer's books or reported in the tax return. Prosecution of this taxpayer for the year 1943 will be recommended.

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Memorandum
Secretary Morgenthau

A partnership engaged in the meat packing business in Los Angeles willfully understated its sales for 1942 and 1943 and thereafter filed amended returns reporting additional sales of \$285,000. Examination of the income tax liability of the partners disclosed that in addition to the \$285,000 there were other items aggregating \$235,262 which constituted additional income and had been willfully omitted. This case has been referred to the Chief Counsel.

Another case involving a wholesale and retail liquor dealer of Washington, D. C., has been approved by the Chief Counsel for prosecution and is now pending in the Department of Justice.

25

April 16, 1945

MEMORANDUM

TO: Secretary Morgenthau

FROM: Mr. Hunan

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April 16, 1945

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TO: Secretary Morgenthau

FROM: Mr. Egan

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342

Lisbon

Dated April 16, 1945

Rec'd 8:50 p.m.

Secretary of State.

Washington.

791, April 16, 6 p.m.

THIS IS WGB 384, USC 432 FOR CHARLES JOY FROM

MURTHA SHARPE.

Ilbert Asa condemned to death. Execution takes place within two or three weeks. Immediate action necessary. Please cable Dr. Humberto in Obas del Olmo 7 Calle Casadas Cuba to urge friends of Asa to request Cuban Foreign Ministry to intervene through Cuban Embassy, Madrid with Spanish Foreign Office. Contact also for assistance Abraham Lincoln Association, New York.

BANDUCH

JDA

343

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

Reference Department's No. 486 of March 15, 1945.

Interested labor groups are very anxious to know how long presently available funds will last for financing Norwegian project. Please report urgently to Board. Please also confirm receipt of \$98,500 War Refugee Board funds transferred from Ankara to you.

THIS IS WEB STOCKHOLM CABLE NO. 354

5:00 p.m.
April 16, 1945

DHS-127

PLAIN

Lisbon

Dated April 16, 1945

Rec'd 2:47 p.m.

Secretary of State

Washington

709, Sixteenth

WHS 381 JDC 216 FOR LEAVITT FROM TROBE

Trobe Fishohn boarded BROTTINGHAM April 16.

Advise only 30 passengers permitted disembark, remaining 112 put aboard Turkish tender awaiting official decision concerning validity their Turkish authorities may seriously question nationality of great many this group. They working towards solution of problem but may require intervention WHS and JOC. Promise fuller report advised Linder.

BARUCH

WPS

WHS-99
Distribution of
true reading only by
special arrangement.
(SECRET W)

Stockholm

Dated April 16, 1945

Rec'd 12:45 p.m.

Secretary of State,
Washington.

1395, April 16, 3 p.m.

Re WHS 349

We have been actively pressing Elsie Ottesen Jensen for detailed report of her activities and during past week UC report delivered to us. This our 135 for WHS. Report will be forwarded in early pouch.

JOHNSON

WLO

HOCp015

PLAIN

Paris

Dated April 16, 1945

Rec'd 2:00 a.m. 17th

Secretary of State,
Washington.

1899, Sixteenth

JDC 33 FOR MESSRS LEAVITT AMERICAN JOINT DISTRIBUTION
COMMITTEE FROM ANTHON ORGHEMASON.

"Spart's trunk arrived here but visa not yet issued
because application only recently received by Foreign
Office here. Am doing everything possible expedite. We
confirm receipt second contribution from Universal."

CAFFERT

JMS

LFO-316

PLAIN

Lisbon

Dated April 16, 1945

Rec'd 2 a.m.

Secretary of State,
Washington.

790, Sixteenth

REF 382 JDC 217 FOR LEAVITT FROM THOSE

Margolis now Brussels. Cables address SHAF
Mission Belgium APO 757 care of G-5 Displaced Persons,
Postmaster New York. Notify family. Most urgent problem
insuring budget next 3 months in order plan work since
budget setup by Schwartz only to May 1. Please refer
his cable February 9 giving breakdown budget and stressing
minimum requirements 5 million francs monthly. View
recent arrival and only enough money on hand operate
till May 1 cannot allow time study situation thoroughly
but first observations and conversations are convinced
committee obliged ask budget 4 million francs monthly
from us next 3 months equivalent about \$98,000 monthly.
Breakdown as follows 1,850,000 francs maintenance 3,110
children under care this date and 2,150,000 francs relief
7000 adults. Committee has just taken over 5 new homes
housing 260 children formerly managed by resistance
groups and more children daily coming from hiding and
turned over our care. Children's section of committee
in good hands and if funds available can guarantee
constructive work. Clothing situation indescribably
poor quality. Many children
unable attend school lack shoes. Important we concentrate
all efforts getting clothing shoes over here soonest.
To date committee has received no funds intergovernmental
committee or other sources and their request 4 million
from us based on hope additional funds still forthcoming
other sources. Also hoping reduce relief budget by
getting loan Kassa started which exploring immediately
would appreciate favorable consideration budgetary request
to insure continued work until able get into situation
thoroughly. Hope have detailed figures enroute you by
May 1. Please advise decision soonest so we can plan
accordingly. Please transmit my name \$1000 immediately
for personnel administration expenses. Unfortunately
Edward Harburg in Paris so unable consult him this budget.
Have advised Schwartz under please advise appropriation
made by reconstruction committee for loan Kassa Belgium.

BARUCH



BRITISH AIR COMMISSION

1785 MASSACHUSETTS AVENUE
WASHINGTON 6, D. C.

TELEPHONE DECATUR 9000

PLEASE QUOTE

REFERENCE NO.

With the compliments of British Air Commission
who enclose Statements Nos. 183 and 184 —
Aircraft Despatched — for the weeks ended
March 30th and April 6th respectively.

The Honourable Henry Morgenthau, Jr.
Secretary of the Treasury
WASHINGTON, D. C.

April 16, 1945.

STATEMENT NO. 183

Aircraft Despatched from the United States
Week Ended March 30, 1945.

SECRET

TYPE	DESTINATION	ASSEMBLY POINT	BY SEA	BY AIR	FLIGHT DELIVERED FOR USE IN CANADA
<u>FORD</u>					
Liberator B-VI	M.E.	M.E.		8	
Liberator B-VI	India	India		1	
Liberator GR-VIII	U.K.	U.K.		6	
<u>GLENN MARTIN</u>					
Marauder III	M.E.	M.E.		1	
<u>DOUGLAS</u>					
Dakota IV	U.K.	U.K.		10	
Dakota IV	M.E.	M.E.		13	
Dakota IV	India	India		2	
<u>NORTH AMERICAN</u>					
Mustang	U.K.	U.K.		24	
Mustang	Australia	Sydney		18	
<u>MOOREHEAD</u>					
Harvard	U.K.	U.K.		14	
<u>MUNTISS</u>					
Seawar	U.K.	U.K.		6	
<u>CHURMAN</u>					
Bellcat	Australia	Sydney		1	
Avenger	Australia	Sydney		1	
Total:			64	41	0

Movements Freight I
R.A.F. Delegation
April 6, 1945.

anh
File V-11-45

SECRET

STATEMENT NO. 184

Aircraft Despatched from the United States
Week Ended April 6, 1945.

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA.</u>
<u>FORD</u>					
Liberator B-VI	M.E.	M.E.		1	
Liberator GR-VIII	U.K.	U.K.		3	
<u>DOUGLAS</u>					
Dakota IV	U.K.	U.K.		8	
Dakota IV	M.E.	M.E.		5	
Dakota IV	India	India		8	
Dakota IV	S. Africa	S.A.A.F.		1	
Skymaster	U.K.	U.K.		2	
<u>GENUINE</u>					
* Avenger	Australia	Brisbane		4	
* Avenger	Australia	Sydney		4	
* Hellcat	Australia	Brisbane		4	
* Hellcat	Australia	Sydney		3	
* Hellcat	India	Cochin		1	
* Hellcat	India	Cochin		6	
<u>BECH</u>					
* UC 45 Beechcraft	Australia	Sydney		1	
* UC 45 Beechcraft	India	Cochin		2	
<u>VOUGHT-SIKORSKY</u>					
* Corsair	Australia	Sydney		4	
<u>NORTH AMERICAN</u>					
Mustang	Australia	Brisbane		6	
Total:			35	28	0

* with radio equipment.

Movements Freight I
R.A.F. Delegation

April 12, 1945.

mmh
File V-11-45

NOT TO BE RE-TRANSMITTED

COPY NO. 4

SECRETOPTEL No. 121

Information received up to 10 a.m. 16th April 1945.

NAVAL

1. Home Waters. 15th. French Naval Force bombarded targets at entrance to Gironde in support of ground attacks by French Army.
2. East Indies. 11th. East Indies Fleet and a French battleship bombarded Sabang and Oeleh in N.E. Coast Sumatra. 10 enemy aircraft unsuccessfully attacked fleet, 2 shot down. During recent patrols two H.M. Submarines sank 5 coasters, 1 MGS, 3 landing craft and 3 Junks off Sumatra.
3. Anti-Submarine Operations. 15th. 5th Escort Group made promising attack on U-boat in S.W. approaches. 16th. 17th Escort Group sank U-boat off Start Point, survivors picked up.
4. Enemy Attack on Shipping. 15th. 22 survivors picked up from U.S. Tanker sunk by U-boat on 28th March in S. Atlantic. Merchant ship mined off Ostend now in tow.

MILITARY

5. Western Front. First French Army made good progress S.W. Pforzheim and along East bank of Rhine south of Baden-Baden. 7th U.S. Army continued advance on wide front south and east of Wurzburg. Bamberg occupied. Third U.S. Army made gains up to 25 miles east of Coburg and further north armoured spearheads are 15 miles west of Dornum. Jena and Gera clear, Ruhr pocket further compressed. Hagen entered and bridges across River Ruhr, south of Dortmund, secured intact. Armour of First U.S. Army reached outskirts Lessau. Second British Army enlarged bridgehead across River Aller S.E. of Verden. Further west troops of Second Canadian Division reached coast north of Leeuwarden.
6. Eastern Front. Southern Sector: Russians report further progress west and N.W. of Königsberg. Central Sector: Germans report repulse of strong Russian attacks in area west of Kustrin. Southern Sector: Russians report progress north of Vienna and capture of St. Polten (35 miles west of Vienna).
7. Italy. Continued good progress in Eighth Army attack and line River Silaro reached on broad front N.E. of Highway 9. New Zealand troops maintained substantial bridgehead over River East of Medicina while Polish Troops secured second Bridgehead in area due south Medicina.
8. Burma. In Central Burma patrols pushed south to town 40 miles E.S.E. of Magwe. Area 10 miles east of Pyawbwe cleared.

AIR

9. Western Front. 14th/15th (night). Aircraft 728 despatched; Potsdam 513 (missing 2 - 1751 tons) visibility good and attack heavy and accurate; Mosquitoes 62 Berlin and bomber support 104. 15th. U.S. heavies 1277 (none missing) dropped 1165 tons of H.E., 266 tons of incendiary bombs and 1120 tons of incendiary material on strong points and batteries astride Gironde Estuary; weather clear and results good. Mediums 217 dropped 581 tons on defended area Jaffe-Vaux-Sur-Mer. Mediums 250 dropped 368 tons on targets in southern area. Fighters and fighter bombers 1396 flew offensive and escort sorties; enemy casualties 22:27 in combat and 55:0:48 on ground. M.T. 533, locomotives 127, railway vehicles 231 and buildings 135 destroyed.
10. Mediterranean. 13th/14th (night). Heavies 65 and light bombers 148 provided ground support and attacked communications North Italy. 14th. U.S. heavies dropped 611 tons on ammunition factories, M.T. depot and other targets North Italy. Tactical aircraft 1394 attacked targets in support Eighth Army and communications throughout battle area.