

DIARY

Book 831

March 22, 1945

March 22, 1945
9:30 a.m.

BREITON WOODS

Present: Mr. D. W. Bell
Mr. Gaston
Mr. O'Connell
Mr. Bernstein
Mr. Luxford
Mr. White
Mr. Feltus
Mr. Fussell
Mrs. Klotz

H.M.JR: Good morning, everybody. The reason I have asked you here, particularly Dan, is you have got to sit with me whether you like it or not from now through ten o'clock, and O'Connell and Gaston, too, is I am leaving Saturday, and I want you to know what I have been up to.

MR. BELL: Have you been up to something? I am curious.

H.M.JR: I figured if you gentlemen sat here you would know and could help advise these people on various problems which I have been taking care of. In some instances you know about it, and some you don't, but every appointment that I am going to make today to do anything I want you and Gaston to sit in so you will know. You will, please?

MR. GASTON: Yes, sir. I understand you were well up to the job yesterday in New York. Mr. Fussell told me you had a very successful meeting.

H.M.JR: It was very successful, I thought.

MR. FELTUS: Didn't you tell them they could use that story on Russia?

H.M.JR: Yes.

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Walter Kiernan came on and said, "The only one I heard told is the story which Secretary Morgenthau told me was off the record."

H.M.JR: No, I thought it went very well. Kaltenborn said, "I hope we are not going to all sit around here. I have to get away at two-thirty."

I said, "You don't have to. We don't work like that." So we started right in in the beginning. I am sorry I couldn't meet that Italian girl.

MR. FELTUS: Lisa Sergio.

H.M.JR: Everybody said she was able. She was Mussolini's secretary, wasn't she?

MR. FELTUS: You told me that; I didn't know it.

MR. D. W. BELL: There was nothing in the paper about that. It was an open meeting.

MR. FELTUS: It was off the record.

H.M.JR: Can somebody who was here yesterday tell me what happened on the Hill?

MR. O'CONNELL: I guess I can.

H.M.JR: Are you feeling all right, Joe?

MR. O'CONNELL: Yes, fine.

H.M.JR: I hear you put your foot down when they wanted to bring the Rockets into this luncheon today.

MR. D. W. BELL: No.

H.M.JR: That is the story that is going around the Treasury. They wanted to bring the Rockets down from New York and you said no.

MR. D. W. BELL: I thought the Treasury would be disturbed too much.

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H.M.JR: The Student Prince and everything! I have got my spies around, and they said Dan Bell didn't mind if it was just a team of us who had the Student Prince, but there were two hundred.

Charlie Stewart Bell?

MR. C. S. BELL: Two hundred out of the Treasury for two hours! There wouldn't have been anybody left but the messengers in the corridor.

MR. O'CONNELL: Randolph Burgess was the witness yesterday, and in the morning he didn't hurt us at all. He was very good for our side, because he got into a great deal of difficulty in explaining what he thought about the CED report, and he indicated that he thought there was a pretty good basis for a compromise based on the CED report. Now, he reads the CED report a little bit differently from the way we read it, I believe. He described that as being a proposal under which all what we could call the bad loans were taken out of the Fund and put in the Bank. He said, "If that were done, then they would probably have little objection left."

(Mr. White enters the conference.)

MR. O'CONNELL: Except they would think it should all be done in one organization instead of two.

In the afternoon he did a little better for their side because the Democrats were not prepared other than Brown and Patman, and none of the questions in the afternoon brought him back again to the CED report, so he was again being his criticism and objections on the original AEA report, which is, of course, a horse of a slightly different color. He was asked in the morning--

H.M.JR: What color?

MR. O'CONNELL: Slightly different.

H.M.JR: I wasn't quite sure.

MR. WEINSTEIN: It was darker.

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MR. O'CONNELL: He was asked in the morning how he would vote if he had to choose between the Bretton Woods proposals and nothing. Their advantage was that it was about the third question asked him by Brown. He had a very difficult time with that question. He squirmed.

MR. BELL: He didn't answer it, did he?

MR. O'CONNELL: Well, he finally did after Patman continued to press. Wolcott came to his assistance and said it was an unfair question, and Patman said, "Why is it unfair?" Patman kept saying, "How would you vote if the choice were between the Bretton Woods proposals and nothing?"

Well, he said he would be in favor of amending the bill, of course.

Patman said, "You have lost that; you have lost all your amendments. The question is yes or no on the bill." He pressed him very hard. And finally, in effect, he said he would probably hold his nose and vote yes.

H.M.JR: That was planted, I suppose, by somebody. He would hold his nose?

MR. LUXFORD: Yes.

MR. O'CONNELL: He expressed it a little differently in talking to Brown. He talked about taking a big glass of orange juice or something of that sort. He sounded as though he were trying to find the most palatable way of taking castor oil.

H.M.JR: Congressman Brown wants me. Should I put in a call now?

MR. LUXFORD: Yes.

MR. O'CONNELL: We gave Brown about six questions on the CED report. He was very good.

MR. LUXFORD: He has been helping us right along.

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MR. D. W. BELL: That is unusual, too, isn't it? He is usually against us.

MR. O'CONNELL: I was doubtful about giving them to Brown because I didn't think he knew enough about them.

MR. LUXFORD: Better to give them to Brown, because Patman--

MR. O'CONNELL: I was a little doubtful about Brown's ability, but he sat up there and smoked cigars and talked like an expert. And that was really the best part of the hearing.

H.M.JR: (To Mrs. Klotz) Tell Gamble his people were supposed to let me know how Mr. Woodruff of Coca-Cola stood on Bretton Woods. He is coming over at eleven. Sometime between now and then you call.

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

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Operator: Congressman Brown.

HMJr: Hello.

Paul Brown: Mr. Secretary, this is Brown of Georgia.

HMJr: Yes. Before you talk to me, may I get a word in?

B: Yes.

HMJr: And tell you how much I appreciate the help you have been giving us.

B: Well, I'm going down the line for you. Of course, we're going to have a hard job. The boys -- a political fight out of it.

HMJr: The boys say you were swell yesterday.

B: Well, you made a mighty good witness. Mr. Secretary, what I called you about. MacFadden, who is secretary of the Georgia Bankers Association.

HMJr: Oh, yes.

B: He wants you to come down and make a speech sometime before we leave here.

HMJr: Ahuh.

B: And he phoned me yesterday and said that he was writing you, and that he'd have everything from Georgia. I especially want you to go over for the reason that my brother-in-law is the President of the Banker's Association, David H. Arnold.

HMJr: David H. Arnold. Arnold.

B: Yeah, he's my wife's brother.

HMJr: I see.

B: And they'll have all the bankers -- you'll have the best crowd you ever had in your life. They like you down there and they want you to speak on Bretton Woods.

HMJr: Ahuh.

B: I'd written some time ago the fine presentation

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B:(cont.) you made before our committee. Anytime between April 5th, will give you plenty of latitude, and I personally hope you can go.

HMJr: Well, I'll certainly give it very serious consideration. The League of Women Voters invited me to come down there, too.

B: Ahuh.

HMJr: How good an organization is that in Georgia?

B: Well, they aren't many. That's just sort of a group there in Atlanta, you know.

HMJr: I see.

B: Course the Bankers -- they're going to get everybody there. This fellow has been secretary about 30 years.

HMJr: Ahuh.

B: And this brother-in-law has been president a couple of years, and they say they're going to have every bank representative in Georgia besides other business people.

HMJr: Ahuh.

B: You'll certainly have a swell crowd, and they are very appreciative people. The League of Women, confidentially, are just sort of local people.

HMJr: I see. Well, I'll talk it over with --

B: You know they might invite some of them, you know, in this meeting.

HMJr: Ahuh. Well, it's terribly nice to know that you are wanted by bankers anywhere.

B: That's right. I think it would be a good stroke, and they have some mighty good people there.

HMJr: Well, I'll give very --

B: Good banks in Georgia, and I think it will be very helpful in our bill.

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HMJR: I'll give it very serious consideration.
B: All right. Let us know then as soon as you can.
HMJR: I certainly will.
B: All right. Thank you very much. Bye.

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H.M.JR: That is what you boys have been needing me on.

MR. GASTON: Before April 5, he said.

MR. LUXFORD: From what you said, we don't need to. We have got them in our pockets.

MR. BENSTEIN: I am not so sure this isn't a good time to get the whole setup solidly behind us.

MR. LUXFORD: Not through the bankers.

H.M.JR: Let's let the thing pass for the minute, but you remind me, Mrs. Klots. I will think about it. Personally, if I am going to do something else again, I will seriously consider Feltus' suggestion of going to Chicago to address the radio commentators of that area. In going to the radio commentators--I give you credit for that whether you deserve it or not. It is a good idea. It was your idea. I take credit for the breakfast with the publishers, but you (Feltus) can have this one, and this was good.

You are my liaison fellow.

MR. LUXFORD: Sure.

H.M.JR: John S. Knight, owner of the Chicago Daily News has written a half-page editorial that is favorable to Bretton Woods. Have you people seen it?

MR. LUXFORD: They have a man up there. Is he the owner?

MR. GASTON: Yes, he is the new owner of the Chicago Daily News, and also owns the Akron-Beacon Journal, the Miami Herald, and the Detroit Free Press.

H.M.JR: He used some of the arguments I used here. He comes out--do you want to use this?

MR. LUXFORD: Yes, we will write letters to all of them, Mr. Secretary.

(Secretary hands Mr. Luxford editorial by John S. Knight on Bretton Woods.)

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H.M.JR: I would like that editorial back. I would like to show it to the President.

MR. BERNSTEIN: May I offer some comment on yesterday, especially since it involves the Chicago Daily News?

H.M.JR: I will have to stop in three minutes.

MR. BERNSTEIN: I wasn't at the morning meeting, but I was there in the afternoon. I heard what Joe mentioned about the very effective testimony. But the reporter for the Chicago Daily News, Lahey, grabbed hold of me as soon as I got there in the afternoon, and he gave the view that while there may have been something helpful to us in the morning's testimony, there was a good deal that was hurtful to us, particularly the insistence of Burgess that you didn't have these choices that the people were urging, the choice of not taking it. He believed that people would take it, and it would work better, and so forth. But in the afternoon he was devastating, in my opinion, to our side. He was very reasonable, and said nice things about the Treasury, how good it was to see the Treasury fighting to put so much gold in the Fund, and so forth, but the fact he kept reiterating was you couldn't stop it from being mismanaged. It was bound to go wrong as long as countries felt they could come in and get whatever money they wanted. He held himself exceptionally well with the Republicans. He strengthened their doubts, and he gave, what was worse from our side, two Democrats an opportunity to ask him questions in which he strengthened their view that the Fund was not a useful instrument, that it ought to be done through the Bank.

Now, I had the feeling that Burgess with his reasonableness, with his clarity, and with his fairness of patting the Treasury on the back five or six times did us more harm than anything else we are likely to get.

H.M.JR: I would like to have the unvarnished truth, even if it hurts. Did anybody bring out the record of the ARA?

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MR. BERNSTEIN: I would like to mention a thing on that. Mr. Burgess was a little bit less than fair when discussing what the bankers have done. He gave the impression that in 1928 if the New York bankers had had their way, credit would have been tightened long ago. There wouldn't have been this fiasco with the stock market. He never mentioned the bank of which Mr. Mitchell was the head having left a meeting of the Board of the Federal Reserve Bankers in New York and announced he didn't agree with what the Federal Reserve Bank of New York was doing, and his bank would lend money just as he thought the market would need it.

H.M.JR: Did anybody bring that out?

MR. BERNSTEIN: Nobody. But I talked to Mr. Roberts after the meeting and said I thought it was peculiar for Mr. Burgess to say that.

H.M.JR: Who is he?

MR. D. W. HELL: George Roberts?

MR. WHITE: Vice President of the National City Bank.

I think we had better meet Burgess on the arguments as well as what you say.

H.M.JR: No, we have got to--I tried to tell it, and I repeat over and over again, you have got to discredit these people, the American Bankers.

Did anybody ask them about the position the American Bankers took on postal savings?

MR. LUXFORD: Well, Patman and Outland both had it.

MR. BERNSTEIN: Burgess is coming back with the details as to how he will amend the bills. He will bring in a written statement on how to change the documents.

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H.M.JR: I think they did have that material.

MR. O'CONNELL: Oh, yes, they had it.

H.M.JR: Why not give him--

MR. LUXFORD: More important than that, today Leon Fraser is on, and we have a dossier on Leon Fraser and HIS that I think we ought to go to work on.

H.M.JR: How about the recommendations of Kruger?

MR. LUXFORD: Not Kruger. This makes him an appeaser.

H.M.JR: How about Kruger's being here?

MR. LUXFORD: I haven't any material on it, Mr. Secretary.

H.M.JR: I told you--

MR. LUXFORD: I am cognizant, and we are still looking.

H.M.JR: You can call up Morris Ernst, and call up about the files, because Eddie Greenbaum set up kind of a decoy and appointed him to act as sort of an arbitrator. It's in the files of Greenbaum. He was managing director of--what is that investment company? They were representatives for Kruger.

When he came back George Harrison tried to get me to take him as Under Secretary, and I went into his whole record. He personally was a representative of Kruger in this country. You call up Morris Ernst.

MR. O'CONNELL: Lee Higginson?

H.M.JR: It is Lee Higginson. Unless somebody has something, I am going to have to stop now.

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MR. O'CONNELL: Are you going to spend some time later in the day on tax enforcement problems?

H.M.JR: We will start at ten o'clock.

MR. O'CONNELL: May I come?

H.M.JR: You were told to come.

MR. O'CONNELL: It doesn't make any difference.

MR. GASTON: Mr. Bernstein and I have a proposal.

MR. WHITE: Did anybody here listen to the Taft-Tobey debate last night?

MR. KLOTE: It went extremely well.

MR. FELTUS: Tobey was magnificent.

MRS. KLOTE: Tobey was marvelous.

MR. O'CONNELL: These things never mean the same thing to two people. Burgess was very dishonest, but he was very effective. He is kind of a bully, and he overpowers people, and he monopolizes the time and gets--

H.M.JR: I am going to go to other matters now, if Bell, White, and Mr. Gaston would stay.

(Mr. Bernstein, Mr. O'Connell, and Mr. Fussell leave the conference.)

MR. FELTUS: The National Foreign Trade Council came out for us.

H.M.JR: Definitely. Excuse me. Luxford, I want that list of CED directors. You might tell me who is working on it.

MR. LUXFORD: These are the ones, actually, on the Research Committee. (Hands Secretary "The Bretton Woods Proposals," prepared by CED.)

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H.M.JR: This is what I want: I have been thinking of calling up some of these fellows. Are you going on the Hill this morning?

MR. LUXFORD: Yes.

H.M.JR: Can you get me people on foreign policy?

MR. FELTUS: Foreign trade and this--

H.M.JR: I have got this. I will tell you what I am doing. I am getting new Treasury advisers on finance, and I am going to pick them out of these fellows who are with us.

MR. LUXFORD: Gordon Wasson--I don't know how he is going on this, but I talked to him a long time ago, and he is sort of a decent fellow.

H.M.JR: He is the very fellow I am calling up--I called Chester Davis and asked how he was, see? Then I am going to call Chester Davis on the phone and find out where the rest of them stand.

MR. LUXFORD: George Whitney was on the ARA report on the New York State Bankers' report, so I don't know where he stands.

H.M.JR: If we get one Morgan partner, good.

MR. D. W. WELLS: I wouldn't be surprised if Leffingwell would be on our side.

MR. LUXFORD: Whitney is very sympathetic to our position.

H.M.JR: What you can do to save me time is, supposing--do you know Chester Davis?

MR. FELTUS: Yes.

H.M.JR: Call him up on the phone at the Federal Reserve in St. Louis and ask him which of these men are definitely with us and which fellows drag their feet, and I want to know a little later on.

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MR. FELTUS: Can I get back to you today on Mary Margaret McBride's program and find out what you want to do on it?

H.M.JR: Sing. Yes.

March 22, 1945
10:00 a.m.

DEINDUSTRIALIZATION OF GERMANY

Present: Mr. D. W. Bell
Mr. White
Mr. Gaston
Mr. Glasser
Mr. DuBois
Mr. Coe
Mrs. Klotz

H.M.JR: Will you proceed, Mr. Coe, in your usual condensed Readers Digest manner?

MR. COE: Well, we had the meeting of the working committee chairman and Will Clayton yesterday, and I think perhaps the chief thing to say is at the beginning he said that this group had been called together to get an interpretation of the draft directive of March 10.

McCloy spoke up and said that wasn't his understanding from you, and that the Army had this thing which they cut passages out of, and that is what they wanted.

Will Clayton said he didn't see as there would be any difficulty in meeting the Army on this discussion of their documents.

H.M.JR: May I ask who was there besides Clayton from State?

MR. COE: They had Matthews and Despres and Riddleberger. With the consent of the group it was decided to have Despres from Riddleberger's Section because of his familiarity with the subject. I said, likewise, that in view of what I understood you had told Grew, we would want to raise in connection with this draft any sort of question of policy as well and have the same latitude on policy as they were giving the Army on administrative matters, and Clayton or

McCloy or somebody said, "Well, we were told yesterday by Mr. McCloy that--"

H.M.JR: By Mr. McCloy?

MR. COE: McCloy. Harold was over to the four-agency meeting with McCloy the day before when you rang, and McCloy came into the meeting and said the draft was to be withdrawn. Is that right?

MR. GLASSER: No, he said that the agencies were--the committee was to meet and sit around a table and try to get an agreement between the various departments.

MR. COE: Clayton said he didn't have any such understanding from Grew; the last he heard Grew was still trying to get the President on this. However, we then went forward discussing the documents, paragraph by paragraph, and agreeing to such changes as constituted--as we will make--we devised a different document.

Yesterday's discussion centered chiefly on the Army stuff, the provisions they wanted for a more flexible military government. State gave in to them on practically every point. I made quite a struggle to get a positive statement on decentralization agreed to, to go into the document, and I got no support on that at all--some support from the Army, but they took the same line that McCloy did with you, that Stimson was viewing himself as an administrator in this thing and they could carry out any policy. However, they did prefer the policy of decentralization. I wanted the positive statement from 1067 put back in. That was held over. There was no decision on that. It took so long, and there was so much arguing about it that we decided to move forward to the other subjects. At the end of the time--we met from ten-thirty to one o'clock--at ten minutes to one we got on the economic matters for the first time, the statements on controls. The State Department directive reads, "You shall direct, administer, and control the German economy for the following purposes: And then it lists them. I took the position that we would want that language turned around and have it made clear that the responsibility for running

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the German economy belonged to the German people and that, therefore, you wouldn't direct, administer, or control, except for certain specified purposes. However, I said I thought you shouldn't go at this thing paragraph by paragraph, but wait until the next meeting and have a thorough discussion of it. The State Department is using reparations just as we are all using reparations, for the reason of these controls.

At four-thirty four of us went into a drafting committee headed by Riddleberger. Joe and I went for us and took care of the language. There we seemed to get into the document, or at any rate, it is going to come before a full committee, a modified 1967 statement on decentralization.

H.M.JR: Was it satisfactory?

MR. COE: It was satisfactory to us, and all the language that went through the committee was satisfactory to us. It didn't concern economic matters, but it was War Department modification of State's position. What we were, in effect, doing, is this:

H.M.JR: Would you hold your thought a minute?

MR. COE: Yes.

H.M.JR: Do you think that any of the memos I sent over to Grew got down to Clayton?

MR. COE: He didn't have it with him. If he did, I didn't see it. For instance, after I made a little speech about not assuming responsibility for running the whole economy, Clayton said something to the effect that he certainly felt that way.

"What about it?" asked somebody.

Despres spoke up and said, "well, that is that old one; that is that fight that has been going on and on." He wasn't acting very sophisticated at that particular point. I mean, he seemed--

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MR. GASTON: Clayton, you mean?

MR. COE: He didn't act as if--he got himself all set to oppose that particular doctrine which was one of the three doctrines in your memo to him, so he didn't act as if he had been there.

Joe thought that almost certainly they had sent this memo there, the memo of the draft directive to Winant as soon as the President initialed it, and, therefore, they are in a position--Winant has handed it to the British, and now if this thing is repudiated or substantially changed, they are worrying, "How are they going to explain to Winant that something they had sent him was finally firm policy from the U. S. Government? He has now been told it has been withdrawn."

MR. DuBOIS: That is why they insist on calling this an interpretation.

MR. COE: During the afternoon session Riddleberger opened up by saying he wanted it made very clear--some people seemed to think that this document was withdrawn, and there seemed to be all kinds of ideas about it. He wanted it very clear that what we were engaged in doing was interpreting the basic document. I said I didn't care what name they called it, but it did seem to me an odd thing to call a new document which we arrived at an interpretation when it would consist, we hoped, of striking out a considerable portion of an old document, and adding some opposite phrases to it.

H.M.JR: Where do you go from here?

MR. COE: Well, we will take up at ten-thirty this morning the basic economic stuff; it comes before a full committee.

MR. DuBOIS: In other words, there is only one issue.

MR. WHITE: I think three of you ought to go.

MR. COE: Are you free? What about you?

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MR. WHITE: If you think it is necessary, I can go, but I don't think it is.

MR. COE: I think it is highly desirable.

MR. DuBOIS: This is a major issue coming up.

MR. WHITE: Is it clear that my stand was to be withdrawn?

H.M.JR: That was my interpretation.

MR. COE: I wouldn't make an issue of it.

H.M.JR: That was my impression.

MR. WHITE: You can't interpret the March 10 document the way we want it, because it is the strangest kind of interpretation.

H.M.JR: Shall I make it an issue?

MR. WHITE: Not unless we fail in getting what we want.

H.M.JR: Grew went to the President.

MR. DuBOIS: I would not, Mr. Secretary, because I think, for example, yesterday's meetings were on one point. I think, in effect, we practically won to a major extent.

H.M.JR: I think this: I may be all wrong, but I think there is nothing ventured--if you want that, I will try to do it. My impression was this:

MR. WHITE: This would be my suggestion, Mr. Secretary, that those three men go with instructions, and those instructions would be they should try to get there what we want.

H.M.JR: Is Clayton attending these meetings?

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MR. COE: Yes. He is presiding, and Hilldring and someone else--

H.M.JR: You ought to go, Harry.

MR. WHITE: Yes, I will go.

MR. COE: The Secretary has precipitated this thing, and they look for--

H.M.JR: I think you should go.

MR. WHITE: The four of us will go.

H.M.JR: What happens when Grew comes to see me at three o'clock today?

MR. WHITE: About this? Why shouldn't they postpone it in the light of what he said, because I think we are in a better position after we know what Grew said.

MR. DuBOIS: Don't you want to see what happens this morning?

MR. WHITE: I think it is better to wait and hear what Grew says, if he has seen the President.

H.M.JR: Why not let Grew come, and see what happens?

MR. DuBOIS: I would wait and see what happens this morning to see if you cancel Grew.

H.M.JR: Is there a meeting this morning?

MR. DuBOIS: At ten-thirty.

H.M.JR: All right.

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MR. COE: Mr. Secretary, one thing on what is really happening as we debate this stuff, judging by the administrative matters, is that you decide to give the Control Council in Germany flexibility. For instance, when we proposed that subject to the Control Council, subject to the decisions of the Control Council, there shall be enough room to do so and so, that tends to go through; so as you slap on the policy, the positive policy tends to go out in favor of saying it is to be decided at the Control Council.

H.M.JR: That would be satisfactory to me.

MR. COE: But we thought that was--

MR. DuBOIS: You can go even further on this.

H.M.JR: I have got to stop now unless you want something clearer, but that would satisfy me, because I would put myself in the hands of the generals, and there would be a Russian general there, an American general, and a French general.

MR. WHITE: Not only that, but I think as they begin this operation and begin to see more light in it than they now do--

H.M.JR: Now, you see what happens. The President said to me, "What do you mean having just that one document?" I wanted him to withdraw the March 10 one, and I said, "You just run across it in long hand. I withdraw this and will substitute this new one," and that was quite agreeable to him, but he didn't actually physically do it, you see? But the impression he left with me was he wanted this thing withdrawn and something new substituted. He didn't give me any orders, but that is the impression he left with me, that that is what he wanted done.

MR. COE: Well, in effect, they are withdrawing it.

H.M.JR: Well, if it is there, then--I can't go into all the explanations, but if you fellows feel that I actually have to get the President on the thing--but there were other people present, and God knows what they have done between them, you see.

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MR. WHITE: I think--let's see what we can get. If what we can get out of this is satisfactory, we can leave it in the notes on basic points.

H.M.JR: And if by not withdrawing it the State Department can save face--

MR. WHITE: We certainly will be more or less adamant in our major position, no matter what happens this morning until we have had a chance to talk to you again. We will either win out or talk to you again.

H.M.JR: You people ought to come in here around two o'clock.

MR. WHITE: Yes.

MR. DuBOIS: Lubin is pressing for a reparations document. Shall I give it to him?

H.M.JR: Yes.

March 22, 1945
10:15 a.m.

INTERNAL REVENUE - TAX EVASION

Present: Mr. D. W. Bell
Mr. Gaston
Mr. O'Connell
Mr. C. S. Bell
Mr. Irely
Mr. Schoeneman
Mr. Nunan
Mr. Evans
Mr. Berkshire
Mr. Sherwood
Mr. Woolf
Mrs. Klotz

H.M.JR: I was in New York yesterday, and I had the Collectors see me, and Mr. McGuillan. It was arranged by Mr. Nunan. And I frankly am shocked. I don't know what the hell is the matter with your organization that the Secretary of the Treasury has got to go up to New York and have these people tell him that people are evading taxes, and the Collectors sit there on their chairs and say, "Sure, we know all about it, but we are just Collectors."

One of them spoke up, the fellow from Brooklyn, and said, "Under the law it is our responsibility, too." Now, they all know what is going on, and they are not doing a thing about it. McGuillan isn't doing a thing about it. Where is Woolf? He knows about it, and he just sits there. And they give me a lot of alibis. They have got too many girls and no place to put them, and they have got--they were told not to recruit people after a certain date. I have never had a worse impression. It is just a bunch of alibis. Sure, they know people are buying furs and paying cash.

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I told somebody to tell Pedrick to go ahead, and he never got the word.

MR. O'CONNELL: You didn't tell me to tell Pedrick to go ahead.

H.M.JR: I told somebody.

MR. O'CONNELL: You sent Pedrick's letter back to me with a note to speak to you about it, and I tried half a dozen times.

H.M.JR: All you would have had to do was say, "Should Pedrick go ahead?"

MR. O'CONNELL: I thought you wanted to talk more about it.

H.M.JR: You never asked me once about it. I told somebody to go ahead, and Pedrick said he spent ten days on the thing and he knows--

MR. O'CONNELL: I don't think Mr. Pedrick is the fellow to go ahead, and I sent the Commissioner a memo in which I suggested we proceed along the lines that were indicated in Mr. Pedrick's memo, but it should be done through the Intelligence Unit.

H.M.JR: The Intelligence Unit sits up there, and I don't know what they do. I can't understand it. No wonder J. Edgar Hoover gets places; he has imagination and drive, and he is original. He gets things done; no wonder he is on to our stuff. And I am constantly defending you fellows against him, and by God, I am getting pretty sick and tired of it. I mean, the organization is just going to sleep, and the people are getting away with murder up there.

Why, the Chairman of our State War Bonds--I think it was his own doctor--he wouldn't say--went to the Chase Bank and wanted a bigger safety deposit box because he is taking all his fees in cash. The only fellow up there that had done anything is this fellow in Brooklyn who has gone after

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this racket of big real estate. Maybe he has told you about it.

MR. NUNAN: No, he hasn't.

H.M.JR: He has found some way--I couldn't quite understand it--they go out there and pay about thirty thousand dollars for real estate worth ten thousand dollars. They have some way of writing it out. He found some way and got cases in there where people are doing it. They all admit it, and we sit here. There is no excuse, Joe. This is at least a month old. And I think if the Secretary of the Treasury says that this is going on, you and Nunan should prove to me it isn't.

MR. O'CONNELL: I have no doubt that it is going on.

H.M.JR: Why not let's do something?

MR. O'CONNELL: We are prepared to do something.

H.M.JR: Go ahead. Why wait? It is over a month ago that I raised the question, and Pedrick says he can do it. Now I am going to let Pedrick do it.

MR. O'CONNELL: What is Pedrick going to do?

H.M.JR: You find out. He wrote us a letter.

MR. O'CONNELL: I have got it.

H.M.JR: I am not going to tell you what he is going to do. Somebody says he can do it, and the other directors are perfectly willing, they come in their districts. And for me to have to fuss with this thing for thirty days with all the worry I have got--and the only thing Elmer Irey can think of is going to Florida and find out about a few thousand dollar bills. The organization stinks! It absolutely stinks!

Now, I am telling you that something is going to happen, and I haven't got the time, but I hope in the whole Internal Revenue organization somebody can find out about the

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cheating that is going on wholesale up in New York, and the responsibility is O'Connell's and yours (Nunan). I mean, everybody sits back and says--Pedrick says he can do it, so I am going to give Pedrick a chance, and I am telling you to give him a chance and back him up.

They tell me there is a Doctor Rhee up there as coordinator. Give him some help and see what Pedrick can do. Nobody else has done anything. He said he can find out where the fur coats and jewelry are and who is buying them, and all the rest. And I would like to know why somebody hasn't brought it to Charles Bell's attention that they have stopped recruiting people; they can't get any help. My God, you can go up to Congress. Nobody has made any efforts.

MR. NUNAN: I think Mr. Bell had news of it.

H.M.JR: Did you?

MR. C. S. BELL: Yes. They had their appropriation reduced in the deficiency bill. The Senate cut them one hundred and sixty-five thousand dollars, and Nunan sent out wires to collectors not to hire any more people because they didn't have the money to pay them.

H.M.JR: You make a couple good cases on night clubs, jewelry, and fur coats and tell Congress what is going on, and you can get the money.

MR. C. S. BELL: I think Joe feels now he could have gotten money in the Senate had you appealed it. Isn't that true?

MR. NUNAN: I wouldn't be sure of that. I said we might have gotten it. The answer was it was the best, in everybody's mind. We might have been out further.

MR. C. S. BELL: They have cut everyone.

H.M.JR: I have got nothing to show McKeellar that this thing is going on. Everybody tells me this thing is going on; everybody has the money; they are paying cash right

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and left for everything, and I go up there--and these fellows are sincere fellows. They said, "Mr. Morgenthau, if you say you want us to do it, we will do it." One of them said, "Under the law it is our responsibility that we collect. O.K., we will do it." Pedrick is raring to go. He says he can find out where it is. He said all he has to do is go to the legitimate people and they will tell him who the people are that are cutting corners. Now, he found out that they go to a salesman. The salesman doesn't sell them the fur coats, say, in Jaekel's, but he puts the fellow in direct touch with the manufacturer. And the manufacturer sells it to this customer all for cash, and the salesman in Jaekel's knows it, and it doesn't go through Jaekel's books at all.

Now, I started this thing on the liquor business down in Florida, and we did it, and we found out how the wholesalers were doing it, but I would like somebody to come and say to me it would start from within the organization. There is enough of life and brains and originality that they do the thing, and it is like everything else. Mr. Kaiser can build shipyards. They can find a way to cross a bridge. You can always find a way if there is enough guts and courage around a place to do a thing, and I am telling you now it is only a question of time before some other organization will do it. Congress will know about it, and they can crack down, and I have got to take it on the chin. And I am not going to take it!

Now, it is right there. We sent thirty or forty men down to Florida, and when I started that, they said you couldn't do it. We found the wholesalers; we found houses all around the country. Some place in the organization there must be somebody that has some originality and a little courage who will go up and find out how this thing is done. Pedrick says he is willing to do it.

MR. O'CONNELL: May I say something?

H.M.JR: I say give him a chance. Sure.

MR. O'CONNELL: Well, it isn't as though no one around here was doing anything or trying to do anything about it. We have had all kinds of discussions with Mr. Gaston,

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Mr. Irey, and Numan, and I have a memo which I had prepared after talking to those people, suggesting we set up a group of special agents in key cities and operate through the Federal Reserve Banks, who will get information and give us information on occasion for Foreign Funds purposes as to big cash exchanges, and that we expand from that and have a group of people in each of the key cities starting in New York, and some of the big ones who would have one responsibility that is divorced from their routine work to approach this problem from the currency transaction angle, whether through banks, business houses, their stock exchanges, or whatever you want. That is a result of a whole series of discussions we have had here. Whether or not it will work we don't know, but we think it is well worth trying, and we are prepared to present it to you, and that is what I thought the Commissioner told you yesterday.

H.M.JR: You try that in Chicago, will you please? Buck up Pedrick and help him through this Coordinator of his district.

MR. NUNAN: Rhees is head of the Alcohol Tax Unit.

MR. GASTON: He is the Coordinator of the Enforcement Agencies. It is properly, Elmer, an Intelligence Unit inquiry, isn't it?

MR. IREY: Yes.

MR. GASTON: And that is the reason why they couldn't work with Pedrick and get help and get some deputy collectors to help them and revenue agents from Krigbaum and Allen and make a real project of it. I think it ought to be under the Intelligence Unit.

MR. NUNAN: I think Mr. Gaston is right. I don't think Pedrick can do it by himself.

H.M.JR: He can, but I want to give Pedrick a chance.

MR. NUNAN: We will give him everything he wants in New York.

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H.M.JR: And when you go up there Saturday, you go and spend some time.

MR. NUNAN: Saturday when I go up I will set the whole thing up with Pedrick, McQuillan, Rhees, and anybody else he wants.

H.M.JR: And if you want to try your way, try it in Chicago.

MR. O'CONNELL: I would like to try half a dozen towns.

H.M.JR: Try one first.

MR. C. S. BELL: They are getting that information in New York.

MR. O'CONNELL: To give you an example of some of the things we get, the Federal Reserve Bank gave us a report the other day on the owner of Longchamps Restaurant who deposited five hundred and forty-one thousand, five hundred dollars in four New York banks between March 3 and 13 this year. That is about as current and not material as I could imagine. It is somewhat comparable to the four hundred thousand dollar bills deposited in a bank quite a while ago. The Federal Reserve Bank gives us that type of information. The stock exchange never got it for revenue purposes; they got it as a matter of Foreign Funds Control work, the stock exchange in New York. And Schram is equally concerned about cash transactions, and it would be simple to make similar arrangements with them to get this sort of information to be used by whatever group is set up to do this job.

H.M.JR: If they don't conflict, it is all right with me.

MR. O'CONNELL: They are entirely consistent.

H.M.JR: Will they supplement each other?

MR. NUNAN: Yes.

H.M.JR: Are you satisfied?

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MR. NUNAN: Yes.

MR. C. S. BELL: You might run into some of the same cases.

H.M.JR: All right.

MR. NUNAN: I want McQuillan to assign a couple of men to this plan Joe O'Connell has laid out.

H.M.JR: You get some good cases, and I know you can get the money if you show what is going on on this whole question. They say there isn't a single person in New York who knows that we pay for information; and if that law isn't right, let's get it on the basis that Custom's has it.

MR. O'CONNELL: The law is perfectly all right.

H.M.JR: You have got to wait two years.

MR. O'CONNELL: You don't have to; that is a matter of regulation.

MR. NUNAN: Custom's reward is better than ours, there is no question about it.

MR. O'CONNELL: If it is based on the percentage of recovery, according to the law, then we would be worse off because we couldn't determine the amount of reward until after we had collected.

H.M.JR: If I am wrong, you fellows come in and tell me so, but I keep getting it, and getting it, and your three collectors said yesterday I was right, but they said nobody had said anything to them.

MR. NUNAN: Mr. Secretary, if they know the law is being violated, I shouldn't think anybody would have to say anything to them.

H.M.JR: I agree, but McQuillan is not doing anything about it.

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MR. WOOLF: He is not doing anything about it, not pretending to. He has got a lot of alibis. He is full of alibis.

H.M.JR: Go ahead.

MR. WOOLF: Mr. Secretary, I was going to say that you have seen some of the bad things, but on the other hand, they have done a good job in New York in connection with certain cases over there. We have gotten reports from McQuillan in which he has shown a number of cases where taxes have been collected in the last few years, and which probably are as great as any they have had. You have gotten the bad side, and not some of the good side.

H.M.JR: All right, I have tried to be fair for eleven years. Tell me the good side. But the fact remains that sooner or later somebody is going to get hold of this. They are going to put a smart reporter on this thing and find out what the situation is, somebody who is a good citizen. Mayor LaGuardia may pick it up any day. I try to sense these things before they come. I have been talking about this thing for a month. Now, if I were McQuillan, I would raise hell and get men and money, and the fact that he hasn't gotten them--he said, "I haven't got the men." I told these collectors to write to you and tell their troubles about space and men and put the heat on you. That is what I would do if I were up there in charge of Law Enforcement.

MR. IREY: It is a question of type of men. The type of men you have got to have for this are not available; they are in the Army. We have lost ninety-four of the best men to the Army, and we can't go out in the streets to find that type of man.

H.M.JR: Are you trying to get some of them reassigned to you?

MR. IREY: Yes. I had conferences with generals in the War Department and I haven't been able to get to first base. We are working on one case with a Secret Service man.

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MR. GASTON: FBI has ten times as many men as we have and they have nothing to do.

MR. IREY: None of them have gone in the Army. They were all deferred.

H.M.JR: I don't get the feeling Secret Service is too busy in New York.

MR. GASTON: They have gotten plenty of tax cases up there, but they can't--

MR. O'CONNELL: They can't handle tax cases, anyway.

MR. GASTON: Some of these people can be dragged in on certain phases of this thing. Rhee's Alcohol Tax men can be used.

MR. IREY: We have dragged them into situations that have developed in Procurement, robbed the service in order to take care of that.

H.M.JR: You have fifteen men on Procurement they tell me.

MR. IREY: Fifteen in New York City?

H.M.JR: Yes, fifteen men. Have you said enough?

MR. O'CONNELL: I would like to say one thing on the manpower business. The theory of the memo I had written was we ought to adopt what would be an invocation. We ought to take people off their work even if we might sacrifice what they are working on, say, 1941 cases. The thought of this was to try to get current striking cases and press publicity and try to get people to get more of an idea in the back of their heads that somebody is looking over their shoulders when they are thinking of not paying income taxes.

H.M.JR: You get some striking cases, and we can go up on the Hill and see the Senators. They would love to get some more in New York. They would love it.

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MR. GASTON: We decided to suggest to Mr. Nunan-- and we asked the Department of Justice to permit us to take cases on this short form tax report direct to the District Attorney, which is what we are not able to do, you know. I don't know whether you know it or not, but that is one of the biggest handicaps to enforcement; all this stuff has come around through channels and goes through our legal staff and then has to go over to the Tax Division at Justice, and they decide whether any prosecution should be made.

H.M.JR: They say a case has been resting here since January.

MR. GASTON: What we are proposing is in minor cases where we can show people have been doing cash transactions and particularly cases on that form where they are misrepresenting the number of dependents--and there are a great many of those cases--that we can take that kind of case and some of the other minor cases direct to the District Attorney without going to Justice at all, just the same as you take a narcotics case to him.

H.M.JR: Now, gentlemen, prove that I am wrong. Nothing would please me more. Where is this memo?

MR. O'CONNELL: Right here. (Hands Secretary memo dated March 21, 1948.)

H.M.JR: Don't say you tried to give it to me five or six times.

MR. O'CONNELL: I wanted to talk to you about it.

H.M.JR: One other thing, I am supposed to stop and see the press.

Somewhere around Syracuse or some place like that have somebody go out and just cover one RFD section--I don't care where, but a complete RFD route--and interview every farmer and every hired man on that route. I would like to know what proportion--just pick any route out of--I say Syracuse or Chester--I don't care, but pick a route and

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let them complete that, you know, and see how many of those farmers and their hired men are filing income taxes. Just pick a route out of Elmira, Rochester, Syracuse, or any place, see? Will you do that for me?

MR. NUNAN: Yes.

H.M.JR: And I would like to know what proportion--I hear particularly that the hired men of the farmers--practically none of them file income taxes. If you will get it--you see, we haven't got enough men--I would appreciate that, but get a good story, and scare a lot of people, and like somebody said, unless you are looking over their shoulder they get away with murder. They are just thumbing their noses at the Government.

MR. JREY: I honestly think that the thing Mr. Gaston mentioned is one of the most important things; it will accomplish what you want to do.

H.M.JR: There are enough people in this room who ought to be able to find a way to do it. I will sign any letter, or I will call anybody up. I will go to see anybody that needs any help.

MR. GASTON: The important phase of this thing is publicity--scare people.

H.M.JR: You find a couple good cases where a company bought a fur coat for the wife of one of the members of the board of directors, or something like that, or a diamond bracelet, as I am told they are doing, and you will get all the money you want from Congress, but you have got to have a couple good cases.

Incidentally, this one fellow you sent up there--they tell me he is Erickson the gambler, and he is getting twenty-six hundred a year.

MR. WOOLF: That is one of those names we sent.

H.M.JR: How many names did you send up?

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MR. IREY: One hundred and fifty.

H.M.JR: One is Erickson, a very famous gambler.

MR. IREY: He is an old New Orleans man who was connected with Huey Long.

H.M.JR: The only income he showed was twenty-six hundred dollars.

MR. IREY: We want to check.

MR. GASTON: The purpose in going to Miami was to scatter word all through the country, and I think it will have that effect.

H.M.JR: Joe has got to watch Bretton Woods. It is almost a full-time job, see? And he has got to watch my taxes and watch the Hill. Now, the Office of the Secretary is supposed to take care of you. I am going to see what you can do.

MR. NUNAN: Yes, sir.

H.M.JR: And your collectors up there would like to do it. They would like to do it. I don't care whether it is Pedrick or not, but I would give him a chance. He said he could do it.

MR. NUNAN: Yes, sir.

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March 22, 1945
10:25 a.m.

PRE-PRESS

Present: Mr. D. W. Bell
Mr. Gaston
Mr. White
Mr. Fussell
Mr. Shaeffer
Mrs. Klotz
Miss Chauncey

H.M.JR: What's cooking?

MR. SHAEFFER: Maturities. There is a little bit of resentment about the gold story that Lowell Thomas had on the air last night, and there might be a question on Sylvia Porter's article on Boothby.

(Mr. Fussell enters conference.)

H.M.JR: I don't know who gave her that.

(Mr. White enters conference.)

MR. SHAEFFER: She dug most of it up herself.

MR. GASTON: It is in the records, and anybody can look at the clippings and get a story about Boothby. I didn't see her story, did you?

MR. WHITE: Yes.

MR. GASTON: Is it available to anybody that wants it?

MR. WHITE: No. I don't know--she's got some of that stuff, but I never knew the fellow had been in trouble over there. I have it in the office.

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H.M.JR: She was alert.

MR. FUSSELL: Mr. Secretary, they are kind of worked up about that Russian story. Wouldn't it be a good idea if you opened that subject yourself?

MR. WHITE: Was it on the air?

MR. FUSSELL: Yes.

H.M.JR: How would you handle it?

MR. FUSSELL: I would simply tell the circumstances, I think, that it was all off the record and--

H.M.JR: No it wasn't. I told them they could use it.

MR. FUSSELL: No, up until that point, and then they overpowered you and you let them have it.

MR. WHITE: I think it might be said in answer that rather it came up in connection with--

H.M.JR: Why not tell them the truth? I met with some radio commentators up there, a group of them. I have press conferences, why can't I meet with radio people? That was what's-his-name that told the story.

MR. FUSSELL: They claim they knew the story before and they had been turned down.

H.M.JR: Well, let's see.

All right, I was overpowered. (Laughter) If I relied on these people for Bretton Woods, I wouldn't get anywhere.

March 22, 1945
11:12 A.M.

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HMJr: Hello.
Operator: Mr. McCloy is out of the office and won't be back until after lunch.
HMJr: Well, is his secretary ----
Operator: Yes, Miss Werner is here.
HMJr: Well.
Operator: Go ahead.
HMJr: Hello.
Miss Werner: Good morning.
HMJr: How are you?
W: Very well.
HMJr: Where's your boss?
W: Well, he went off to a meeting and he won't be back for awhile.
HMJr: Is he over at the White House?
W: No, sir. He's going there eventually, but he's not there now.
HMJr: Well, the reason I called -- he sent me a message through Mr. White that he was going to the White House.
W: That's right -- at 12:30.
HMJr: Oh.
W: Yes.
HMJr: I see.
W: Do you want to talk to him before that? I'm not sure I can get in touch with him, but I'll try to find him.
HMJr: See if you can.
W: All right, sir.

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HMJr: If you please.
W: Listen, how is your grandchild? I know the grandchild's mother.
HMJr: Oh, the grandchild is wonderful and so is Martha.
W: Well, that's good. Is she staying out there now for a while?
HMJr: She's going to stay for a while, yes. She doesn't want to move too often. I think she will come to us when we get up to the farm.
W: Well, I can't blame her for not coming back here pretty soon, because it is going to get too warm.
HMJr: Well, she and the baby are wonderful.
W: Oh, fine.
HMJr: Martha is too.
W: Very good.
HMJr: Thanks for inquiring.
W: All right. Goodbye.
HMJr: Goodbye.

March 22, 1945
12:26 P.M.

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HMJr: I told them to send you a copy of my press conference.

Mr. Ted Gamble: Fine.

HMJr: I spent a half an hour talking about War Bonds.

G: Well, that's good.

HMJr: And I think I did you some good.

G: Well, I'm glad to hear that.

HMJr: How long are you in town?

G: I'm here until tomorrow morning.

HMJr: When do you leave in the morning?

G: I leave on the plane around 10 o'clock.

HMJr: To go to Richmond.

G: Richmond. Yes. And I'm back tomorrow night and I'll be here Saturday.

HMJr: Oh. I've got an impossible day.

G: Yes.

HMJr: After you've read the press conference, would you call me?

G: Yes, sir.

HMJr: I've got two things, I have to go to the White House. The Earl of ---- whatever they-- the Governor-General of Canada is coming in at 4:00.

G: Yes.

HMJr: Are you going to that Press Club Dinner tonight?

G: No, I am not.

HMJr: Well, you read this thing and then give me a ring, and we'll get together either today, or maybe 8:30

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HMJr:(cont.) tomorrow morning.

G: Fine, fine, either one will be satisfactory.

HMJr: Well, I think from your standpoint 8:30 would be better.

G: Well, I might ask you one question while I have you on the phone. Would you object to giving us -- giving Levy 15 minutes tomorrow to make a couple of short transcriptions?

HMJr: Yes. I don't think I could.

G: I tell you what we want them for. We want one for a closed circuit broadcast to our millions of volunteers.

HMJr: Tomorrow?

G: That's right. We want to make the record before you get away.

HMJr: Well, I could do it much better Saturday morning.

G: Saturday is perfect.

HMJr: I'll speak to Pitts now.

G: Fine..

HMJr: I can do it Saturday if the stuff is ready --

G: And the other is to launch the Treasury Salute programs. They both will be short -- they both will be very easy. We have already prepared the text on them.

HMJr: Well, has anybody over here seen them?

G: Well, we've just --- I have it and was going to bring it to the meeting this morning. I sent it over to Gaston.

HMJr: Send it to Fussell.

G: Fussell. Fine. I'll have our boys.--

HMJr: And, I'll give Levy time Saturday.

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G: Fine. Thank you very much.
H.M.Jr.: Thank you, sir.
G: All right.

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March 22, 1945
12:30 p.m.

DEINDUSTRIALIZATION OF GERMANY

Present: Mr. White
Mr. DuBois
Mr. Glasser
Mr. Coe
Mrs. Klotz

H.M.JR: I can't begin to overemphasize the secretiveness of this thing, but Mr. McCloy was kind enough to stop in on his way to the White House and he had this meeting with Will Clayton. They had the meeting but they definitely excluded us. They had prepared a paper in answer to the Treasury document which he says is wholly unfair to the Treasury. He said to Clayton, "Don't you think the Treasury should be here when this thing is being discussed, and furthermore, don't you think the Treasury should be over at the White House when this meeting is taking place?" Clayton said, "You are absolutely right," and left the room. He evidently talked to Grew and came back and said it was set up so that we shouldn't be there. He said in this document should be strong centralization in order to maintain peace in Germany, and he said, "Don't you think it should be the minimum possible?" He said he tried his best. He said he made his position clear, that he wasn't interested in the economic thing, but as a private citizen he did all he possibly could. The White House told him to bring Lt. Colonel Boettiger with him of the Publicity Section, so he will be there to present his case.

MR. WHITE: At twelve-thirty?

H.M.JR: At twelve-thirty, and I would be--but as I say, I have a ninety-five percent assurance the President will once more read my document before he sees these people, so I will be there. Two of my documents right now are on his desk, and they will be brought to his attention to refresh his memory.

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MR. WHITE: Did this meeting grow out of Grew's request to see the President?

H.M.JR: Yes, in part, and I can only guess. I don't know, but you can put two and two together, I should think the fact that Boettiger is there, as to who arranged the meeting. What?

MR. WHITE: You can find the name Boettiger somewhere along the line.

H.M.JR: Yes. So I said, "It's strange," and he said it was a peculiar way to run a grocery store. I said, "It is strange that a Lt. Colonel in a publicity section can take an interest in the economic future of Germany with you as Assistant Secretary of War being told by the Secretary of War that you can't." I said, "Goddammit! You are interested in the future of your children. Go ahead and talk up over there." He said, "I will." I said, "All right. Aren't you interested in a future for your children? Make your position plain and then talk." He said, "I'll talk."

MR. WHITE: What impression did you get about the way McCloy really feels?

H.M.JR: I think he is trying terribly hard to be square with me.

MR. WHITE: I think that's true.

H.M.JR: The fellow didn't just have to drop in. I have never caught him telling an untruth. I don't believe--if he told Clayton we should be there, it's true, because he knows I could check up, and I think he honestly feels--he said again and again he has fought German business men all his life. He said, "You have got to bring goods into Germany in order to control prices." He told that to Clayton, and he said, "Are we going to import goods into Germany?" Now, I think this, Harry, and I can always be wrong, but certainly he has given every indication of being on the level with me. He honestly is for the minimum.

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MR. WHITE: That's true, but I was questioning his philosophy.

H.M.JR: I don't think he wants to go quite so far as we do in deindustrialization.

MR. WHITE: He has made that clear.

H.M.JR: He doesn't believe in a peace for Germany. He doesn't think it would work. He doesn't want the Army commanders to have the job of running these areas. It isn't feasible. I don't think in either case he goes quite so far, but he goes quite a ways down the road with us. He is against Leon Henderson; he is against Boettiger's philosophy, which is one and the same thing, so--

MR. WHITE: I suppose he will call you back after the meeting?

H.M.JR: He will, or he will drop in. It is very decent of him. But you fellows have to protect me on this thing.

MR. WHITE: I think you have done everything that is humanly possible.

H.M.JR: I can't do anything more, and I have made sure personally, as an errand boy, that it is on the President's desk, and he is going to be told to read that thing before he sees these people, and I, in a way, would just as leave have that document there to speak for me with the President than to get into an argument with them.

MRS. KLOTZ: It's just as well that you got them there.

H.M.JR: I thought I would let those documents talk for me. They are good documents. There are two documents there, the one to the President and the one to Stettinius. But the cards are stacked against us because here is McCloy taking the position that he must talk on the economic front.

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Boettiger is making this a cause. His personal prestige most likely is at stake. The stuff has already gone to Winant telling him that--

MR. WHITE: There is one big thing entirely irrespective of what does happen and that is events. They are going to find after they are in there that they are not going to be able to--

H.M.JR: There are two things. McCloy said, "I told them that Grew must tell the President that he has to tell this to the Secretary of the Treasury face to face, whatever his decision is." I said, "Yes." Can you imagine him sending for me to tell it to me? But, he tried his best to get me in there.

MR. COE: And Clayton checked with Grew who said it was set up the other way?

H.M.JR: He said he left the room and must have talked with Grew, and he came back and said it couldn't be done.

MR. WHITE: There might be another interpretation, Mr. Secretary, and that is that the President knows your views. The President himself is sympathetic with your views and he wants to give the other side a hearing, and therefore he doesn't want a debate.

H.M.JR: That isn't the way it happened.

MR. WHITE: No?

H.M.JR: No. Somebody told him, "Don't have Morgenthau here, he only excites you," which I didn't do the other day. I didn't excite him at all. They don't want me there. My God! They had Boettiger there to be on the spot to keep me from making my case.

MR. WHITE: Well, you don't have to be there in person. Your documents and ideas will be there.

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H.M.JR: What's-his-name told him, "I don't think the American public is going to like this course." The American public will never know it until it is a mess. The thing that I think he is absolutely convinced of is it isn't up to the United States Army to try to maintain the German economy, see?

MR. WHITE: We have done a job on him and I think you are right. I think he is a little frightened of the attempt and that--

MR. GLASSER: He feels quite strongly there.

MR. COE: I think that the result of it anyway is bound to be for the President to tell them to redo the document, because War has objections.

H.M.JR: Oh, McCloy said he was very well pleased with the way the thing was going along yesterday.

(Mr. Du Bois enters conference.)

H.M.JR: He was very well pleased. He said he was very well satisfied. He said he didn't want White there.

I can't stress too much the extreme secrecy of what I have just told you.

MR. WHITE: Well, I think you couldn't possibly do any more.

H.M.JR: I can't do any more than I have done, Harry.

MR. WHITE: No, you couldn't possibly, and the fight is not lost. Even if they win, it is not lost. There is a long stretch between their making this directive and the result, and they will change the orders and the administration policy, not once but twenty times. It will be much like the original OEM was here in Washington. That's the way it will be, only worse.

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H.M.JR: They will take this up on the European Advisory Committee opposite the Russians.

MR. COE: State said yesterday in the person of Middleberger that they didn't intend to take this draft directive up at the European Advisory Committee. They weren't going to take it up anywhere. It was to be for the guidance of proper American officials. They weren't going to issue it to our Commander in Germany.

H.M.JR: Why do they send it over in such a hurry to Winant?

MR. WHITE: How can they have a centralized policy if only America knows about it?

MR. COE: That's what he said.

H.M.JR: They used the argument that they have to have all four Commanders treat Germany the same way in all areas.

MR. WHITE: That's the purpose of Leon Henderson's trip. You have to have that similar--

MR. DuBOIS: McCloy and Lubin are seeing him?

H.M.JR: Also Boettiger.

MR. DuBOIS: Lubin told me that.

H.M.JR: I'll see you fellows a little later. You tell Joe.

MR. WHITE: You might be interested in a brief comment on this morning's testimony. Fraser is not as good as Burgess. He is a good influence. He made a number of extreme statements which will be possible to demonstrate.

H.M.JR: Did you fellows bring in BIS's letters?

MR. WHITE: What?

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H.M.JR: Fraser's.

MR. WHITE: I don't know. We will get a complete report.

MR. DuBOIS: I might mention on the reparations thing we went over it in detail and Lubin agrees on almost every point. He plans to take it up with the President before taking it up with State.

March 28, 1945
2:49 P.M.

51

HMJr: Hello.

Operator: Mr. Grew

HMJr: Hello.

Mr. Joseph Grew: Hello, Mr. Secretary.

HMJr: How are you?

G: How are you?

HMJr: O.K.

G: Just back?

HMJr: Just back this morning.

G: Well, in regards to the German matter. I've gone very fully into the paper you gave me.

HMJr: Yeah.

G: On a good many of the points, I think we are not so far apart. The President sent for me this morning.

HMJr: Yes.

G: And I had a very long talk with him. As a result of that talk I'm now drafting a revised paper which I think is going to be good to be used to bring our ideas together. I think a good deal of it is going to be a question of spelling things out -- that is, more definite than they have been spelled out.

HMJr: I see.

G: Anyway, I don't think there is any good in my coming up to see you until I get that paper in order.

HMJr: All right.

G: I'd like to postpone it, if I may, and then I'll let you know in due course.

HMJr: When do you think it will be?

G: Well, I don't know. It is going to take quite a

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G:(cont.) bit of work. I'll get at it as soon as possible, and then I'll let you know. It will be helpful to have a talk.

HMJr: Well, I'm going away Saturday evening.

G: Friday or Saturday?

HMJr: Saturday.

G: Saturday evening.

HMJr: Yes, so --

G: I think we can have it certainly before then.

HMJr: I should hope so.

G: Yep. All right I'll get in touch with you then.

HMJr: Thank you.

G: All right.

HMJr: Goodbye.

March 23, 1945
2:55 P.M.

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HMJr: Hello.

Grace Tully: Hello, Mr. Secretary.

HMJr: Good afternoon.

T: How are you now?

HMJr: (Laughs)

T: Shooo --

HMJr: Did he get a chance to read that paper?

T: I took them in to him, and gave them to him just almost as soon as you left.

HMJr: Wonderful.

T: So he had all the background there.

HMJr: Fine.

T: So I'm sure he did read it, because if they were going to discuss it, I'm sure he wanted to be filled in on it, and I also found the copy of the directive which I gave him too.

HMJr: Good.

Grev was supposed to come over here at three, and he just phoned and said he had a long talk with the President, and the President has gone into great detail on what he wanted.

T: Yes.

HMJr: And now he was going to redraft it and it would take a lot of time.

T: I see.

HMJr: So evidently the President must have gone into great detail. When I got back here -- this is just for you.

T: Yes, sir.

HMJr: McCloy dropped in on his way over there.

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T: Yes.

HMJr: And said that he had gotten a message that he was to bring -- that he was to be accompanied by John.

T: Oh.

HMJr: Look -- on my suspicions --

T: Yes, you were right there. (laughs)

HMJr: Not by General Millardring but by John.

T: Ahuh, yes.

HMJr: Well, anyway --

T: Well, about this --

HMJr: I'm going to see if I can find out how they are going to redraft it.

T: Yeah, well, I imagine you and McCloy probably can talk about it.

HMJr: Yeah, I think McCloy has been simply swell about it.

T: Well, you'll get a fill-in there on what happened.

HMJr: Thank you.

T: Goodbye, Mr. Secretary.

HMJr: Goodbye.

March 20, 1945
3:04 P.M.

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Operator: Mr. McElroy.

WMAJr: Hello.

John McElroy: Hello.

WMAJr: Jack?

Mc: Yes.

WMAJr: I can tell you very briefly what I saw.

Mc: Yes. Well, I saw what I just got back to my desk. We had a talk --

WMAJr: Had a talk?

Mc: Had a late conversation at home.

WMAJr: Oh.

Mc: And then I had to go over to the West Coast office-wards and I just did that.

WMAJr: Over what? -- I mean we had a paper which was somewhat short.

Mc: Yes.

WMAJr: And he said that they had a lot of work with the President, at which time President said that, and he would like to make the president's business more so.

Mc: Yes.

WMAJr: Then he would agree.

Mc: Yes.

WMAJr: Now, do you want to tell us something, or is it better to see us later, or what would you like to tell us?

Mc: Well, I'd like to tell you about it.

WMAJr: Yeah.

Mc: I don't know whether I ought to tell you or not. I've got a rather bad afternoon. I've got an appointment right now, and I've got a Combined Civil Affairs meeting right after that.

WMAJr: Yeah.

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Mc: With a lot of people. Then -- that's at 3:45 and will probably last an hour then I'd be free. The substance of it --

WMAJr: Yeah.

Mc: --I can give you. It started out with the statement that he thought he had been sold a bill of goods.

WMAJr: He did?

Mc: That is what he said -- that there were many elements in this thing that he didn't like.

WMAJr: I see.

Mc: That you've looked the people off a bit.

WMAJr: He did say that?

Mc: He did -- those were his opening remarks. Then he said that he thought there was a little too much emphasis on centralization.

WMAJr: Yeah.

Mc: That is his opinion. What say, and what he agreed, however, that there had to be some controls from all of it -- what he called -- what he said he wanted to have -- the public service. He said he didn't want to have transportation, and the services necessary to carry these out, although he would not continue that with a ship -- still with as high a degree of efficiency as they enjoyed up to the beginning of the War.

WMAJr: Well, that's what I told him that Harding wanted.

Mc: Yeah.

WMAJr: Well, -- that -- I said I said that if they ever went back to the first thing that they would want to do.

Mc: Yeah.

WMAJr: The same.

Mc: There was a good bit of talk about imports and

Hs: (cont) knew. He thought you would have to go in and take a look and see.
 HsJr: Yeah.
 Hs: Then there was a lot of conversation, but I don't think anything came out of it then just what I've said.
 HsJr: I see.
 Hs: Then Drew said, "Well, then, I think we are practically on a -- we're very close. We think that, in other words, you agree generally with the paper that Mr. Steinlin submitted to you."
 HsJr: My God.
 Hs: And the President said, "Why, yes, I guess so." Then he caught himself. And he said, "Oh, you seen the March 10th paper?"
 HsJr: Yes.
 Hs: And Drew said, "Yes, I seen the March 10th--"
 "No", he said, "no, that will have to be rewritten."
 HsJr: Oh, wonderful.
 Hs: Yeah. Then Mr. Wington said, "Well, I wonder whether it's desirable to rewrite that. Wouldn't we better try a new one at 12?"
 HsJr: Good.
 Hs: He said, "That's the paper." He said, "This is the paper which was prepared at the State Department this morning, Mr. President." And he said, "I think you will agree with that." He said, "Well, let me think about it a little bit," and that was about all he said.
 HsJr: Again.
 Hs: And -- then we adjourned and we left, and it was at that point that Drew decided that he thought he had better cancel his appointment with you, because he didn't know just where he did stand.
 HsJr: Yeah.
 Hs: All right if we couldn't get together and draft

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C McJ(cont) something that would be suitable in the light of that conversation. But the general tone that the President took was definitely one in which he didn't agree with the strong emphasis upon centralization that runs throughout March 10th.
 HNJr: Wonderful.
 McJ: That there would be, he recognized, some degree of central control and he was ready to approve that.
 HNJr: Some degree of central control?
 McJ: Yes, and then Clayton said, "Well, there will be no disagreement about that. We'll accept the Army's views on that so far as zones and their control counselors are concerned." That's about the story.
 HNJr: Well, I think we feared about 100%.
 McJ: I would think so, I would think so.
 HNJr: Because the only thing he mentioned was about central control was the thing that I told him.
 McJ: Yeah, yeah.
 HNJr: And I was just repeating what you fellows told me.
 McJ: Yeah, yeah. He said, General Hildring said, "Well, if you go in - the Germans - the first thing they would do would be to say, 'Well how are we going to run the postal service?'"
 McJ: Yes.
 HNJr: And I told that story to the President. At the time I told it to him, he argued a little bit with me, and said well, I don't know whether you want a universal postal service all over Germany. See?
 McJ: Yes.
 HNJr: So I said, well, I'm just telling you what the Army would do if you did nothing but leave them with 100%.
 McJ: Yes.
 HNJr: Was 100% mentioned?
 McJ: 100% wasn't mentioned.

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O HNJr: It wasn't?
 McJ: It wasn't mentioned at all. There was some --- the State Department people said, "Well, now in the light of the reparations that were determined on at Yalta, there would have to be some modification of our heretofore existing policy in relation to economic control."

1-A

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M: He merely nodded his head on that. He just said, "Well, maybe so." "Of course, we did agree to reparations," he said, and then he came back to the formula to the extent necessary to accomplish the objectives of our occupation. I think that he would say that probably you had to - you should put something into 1067 that is not in there now. He kept coming back to this public service business.

HM Jr: Well, if he did, it is my fault, but on the other hand, that's what you people

Mc: Well, that's right, and I don't mind - we can modify 1067 without killing it, and I think it might be desirable to do that, and I think that when we get around the table, and Riddleberger and the others are there that we're still going to have some fights. But I believe these fellows - the State Department went away quite chastened over this business.

HM Jr: But I mean I leaned over backwards trying to represent the Army's viewpoint.

Mc: But it seems to me he hit right on the nose. When we got through and were out there, Clayton said to me in the hall - he said, "I want you to understand that I came into this thing cold with only the education that I got from my own people, and I am beginning to see now things that I didn't see before, and I am quite ready to say that I am convinced now that March 10, as it was drawn up, is a mistake." Isn't that something?

HM Jr: That's something. I think I am going to try to get hold of Clayton for lunch tomorrow.

Mc: Yes, I think that is the desirable thing to do because he's a sensible fellow, and he's the one who is going to guide this thing. And I don't believe that you are going to have any difficulty with him.

2-A

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HM Jr: I don't think that Grew was too good in this thing.

Mc: No, but he didn't know much about it.

HM Jr: No, and he was taking the old State Department position. He tried to get the President to okay March 10th.

Mc: Oh, yes, he tried to get him to okay March 10th, but the President didn't do it.

HM Jr: Well, that's wonderful.

Mc: But that was I think - well, I think he just wanted to maintain that position, that's all - but not because he really felt or knew very much about it, but that was the line he had been given to sustain, and he tried to do it.

HM Jr: Who tried to do it?

Mc: Grew.

HM Jr: Oh.

Mc: But Grew saw that he wasn't on the line with the President on that.

HM Jr: Well, I'm - I'm a new man.

Mc: Yes, that was pretty good.

HM Jr: I'm a new man. Now let me ask you this- If I have Clayton do you think you should be there or not?

Mc: I don't think it's necessary. I would just as soon, but I think you can do a good bit. I think that Clayton has an idea that there is an irreconcilable difference. I think he has the idea in mind that what you are advocating is fundamentally an elimination of all German industry, and he thinks that is fundamentally antagonistic to the position that he as a business man or sensible man if he were running it would follow. But I think that he doesn't really understand your position, and I think it would be very helpful if you talked to him.

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3-A

HM Jr: Well, the only reason I hesitated was because you sort of drilled it into me that you didn't want it to seem that War and Treasury aren't

Mc: Uh huh.

HM Jr: I'll talk to him and

Mc: But on this basis, can't we really get together and have a uniform policy? I believe we are pretty close to it, and I would like to do it so that we can clear away the underbrush which he thinks is pretty much impossible now. He thinks there is an unsolvable issue.

HM Jr: Yes, well I think I can be helpful.

Mc: Yes, I think you could be helpful in that, and I think it is primarily between you and him on that.

HM Jr: Let me ask you - how was your assistant?

Mc: Well, he was all right?

HM Jr: Did he open his mouth?

Mc: Practically not at all. He didn't say hardly a word.

HM Jr: Well ..

Mc: And when it was attempted to get the President to approve that particular paper -

HM Jr: March 10th?

Mc: No, the new one - the new one.

HM Jr: Yes.

Mc: He stuck up and said, "Well, all I think this does, Mr. President, is to state the issue between the State and the Treasury Department, and I don't think you ought to be asked to approve something which is fundamentally that issue, and I don't think it is in the right form." And I think he was right on that, too.

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4-A

HM Jr: Hadn't he seen it before?

Mc: No, he hadn't seen it before. He didn't even glance at it at the meeting because as soon as he saw how it was stated, he immediately caught that up so as to protect the President.

HM Jr: Well, that was good. I wonder if the President had my papers with him.

Mc: I think he did. I think they were on the table.

HM Jr: But you don't know whether he referred to them?

Mc: No, he didn't speak of them at all. And I think the whole idea was to have a new set-up - a new thing, and to see if the State Department, with the guidance he gave this morning, couldn't come back with a relatively short document which would state the case. I would rather gather that the President is trying to take the view that was more towards control than you would go, but not fundamentally - but a long way off from the tone that the State Department was taking.

HM Jr: Well, I don't think that we are apart at all because the control that you people explained to me would take place when General Eisenhower went there - you would have to have a telegraph system.(?).

Mc: Yes, that's right.

HM Jr: But that's a long way from saying how many grams of food and what price and all the rest of the stuff. I mean it is one thing to have communications and a railroad, and it is something else to have an OPA.

Mc: Now he talked again about the rationing, and he said, "Well, now, are you sure that you are going to need rationing?"

HM Jr: Who said that?

S-A

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Mc: The President. He said, "Are you sure you're going to need rationing?" Well, Clayton said, "I think you are with the limitation of the food that you are going to have." So he said, "Well, why not let nature take its course on that, and see whether we do need to have rationing. Maybe we do, but let the man who is on the ground there who sees the situation come to that conclusion."

HM Jr: Well, he hasn't changed a bit. He hasn't changed.

Mc: And he said, "Mind you - I don't want to tear down anything." And then one interesting thing - he took the phrase that was in one of the papers - I think it was March 10th - he took "the elimination of German industry", and he said, "I don't want you to eliminate German industry - not at all." He said, "I want you to change the character of it, but I don't want you to eliminate it. I'm not for throwing salt into the mines and doing all those things. I don't want to destroy industry. I want to have German industry maintained to the fullest extent necessary to maintain the Germans so that we don't have the burden of taking care of them."

"I think that means a very substantial degree of preservation of the German people industry, but I am very leery of their exports."

HM Jr: That's the President?

Mc: That's the President - yes. He said that if we can only get them to a point where they really do the things for themselves and we try to eliminate the war potential they have, then he would be happy. He said it was a difficult thing to do, but he said he thought we have to feel our way and get experts over there to see what the answer to that really is.

HM Jr: Well, that's a little bit different than he ever talked before, but the main thing that John tried to tell him at lunch two days ago about the Henderson plan -

Mc: Well, we didn't speak of Henderson - the whole idea was to control them as little as you can. Let the Germans run the thing. You supervise, etc. but nothing else.

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Mc: That's the story.

HM Jr: Well, I'm ever so much obliged. That gives me the picture and I'm very happy because I was in the very embarrassing position, you see, with John saying that the President agreed with him, and with us saying they wanted March 10th done over again.

Mc: Yes, yes.

HM Jr: But now that the President has told them that was true.

Mc: He told them expressly that he wanted it rewritten.

HM Jr: Well, that's what I told Grew, and I told Grew to go see the President and get it confirmed and he was.

Mc: He was, there is no question about that.

HM Jr: I'm going to call Clayton now, tell him I want to see him, tell him I want to work with him, and get in on the working of the paper through Clayton.

Mc: Right. With the idea of coming to an agreement which we can all -- on which we can all proceed.

HM Jr: And do you mind if I tell Clayton that I've had a talk with you --

Mc: No, no, not at all.

HM Jr: Do you mind that?

Mc: No, not at all, and I'm anxious to see what his impression of the conversation was as related to mine.

HM Jr: Right.

Mc: And to see if he went away with an idea that was different from mine - fundamentally different from mine.

HM Jr: Well, John, it may sound silly to say thank you

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O HMJr:(cont) because when I'm treated squarely it is so unusual that I have to say thank you.

Mc: Oh, for goodness sakes.

HMJr: Well, it has happened so rarely in Washington, so that when a man treats the way I'm accustomed to be treated in private life, it is something unusual and I do say thank you.

Mc: Well, I'm very -- you don't need to say that. I hope that I always -- that we always --

HMJr: Well, --

Mc: We are right about the damn thing and there is so much intrigue around here that the only way to do a thing--

HMJr: Well --- it's a pleasant surprise.

Mc: I think we will come out of this thing all right. Now, by the way, there's another thing that I don't want to talk about over the phone that came up there -- a personal affair, but I am very anxious to talk to you when you get a chance.

HMJr: What angle is that?

Mc: Oh, what -- my part in the thing.

HMJr: Oh.

Mc: The President made some cracks during the time-- during the conversation there that shook me a good bit, as to what role he wanted me to play in this business. There's an awful lot of background in that and I wanted to talk to you about it before he gets too far down the line on it.

HMJr: Well, I'm leaving town Saturday night. Anytime between now and Saturday night that you want to make it.

Mc: What are you -- are you busy tonight?

HMJr: I'm going to that White House Correspondent's --

Mc: Oh, yes.

HMJr: I could start early in the morning. I could pick

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O HMJr:(cont) you up.

Mc: It would only take ten minutes or so to talk to you about it.

HMJr: Do you want to meet me at the office?

Mc: Suppose I --

HMJr: What time do you ----

Mc: I leave my office -- I leave home at 8:10.

HMJr: I'll be here tomorrow morning at the office at quarter to nine.

Mc: I'll come right to your office. It won't take ten minutes.

HMJr: A quarter to nine tomorrow morning.

Mc: Fine. Thank you very much. Goodbye.

March 22, 1945
3:25 P.M.

Mr. Joseph
Grew: Grew speaking.
HMJr: Yes.
G: That paper will be ready very shortly now. I have to go over to the station to meet the visitors coming from Canada, but if you wish Will Clayton can take the paper around to you within the next half-hour. Would you care to have him do it?
HMJr: Well, here's the thing. I'm going to meet the -- I've got Dr. Suarez, the Mexican Finance Minister at four. Hello?
G: Yes.
HMJr: Then I'm due at the White House at 4:30.
G: That's right. Yes, sir.
HMJr: And is Mr. Clayton coming to town at 5?
G: 5 o'clock?
HMJr: Yes.
G: At your office?
HMJr: Yes.
G: All right.
HMJr: That would be --
G: I'll ask him, and if you don't hear to the contrary, he'll be there at 5 o'clock.
HMJr: At 5 then.
G: Yes.
HMJr: You've got it then, Grew?
G: Yes. It's a brief paper. I hope he will like it; I think you will.
HMJr: I'd like Mr. Clayton to give me the background of what happened today.

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G: Yes.
HMJr: Will you tell him that?
G: Well, yes. I don't know how much he will be free to talk over what the President said, but anyway --
HMJr: Well, why not?
G: Well, (laughs) He doesn't know enough about that to tell. I suppose the President said -- for him to interpret himself, don't you think so?
HMJr: Pardon?
G: I said what the President said is for him to interpret himself. I mean, if Clayton or I tried to repeat what he said we might put the wrong emphasis on something or other. I don't know. Anyway, he'll take the paper over to you which will reflect the views expressed today --
HMJr: Yeah.
G: And I think --
HMJr: Well, leave it to Clayton and me. We get along very well.
G: All right.
HMJr: Good. Leave it to Mr. Clayton.
G: I'll see him to be there at 5 o'clock.
HMJr: Just tell him to come over with the paper.
G: Yes.
HMJr: Clayton and I understand each other very well.
G: All right. Fine. I hope that will be helpful.
HMJr: All right. Bye.

March 22, 1945
3:29 P. M.

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Mr. William
Clayton:

How are you?

HMJr: I'm all right. How are you?

C: Fine.

HMJr: Grew just phoned me -- you sound a mile away.

C: There's something wrong with this phone. Just a minute.

HMJr: I can hear you now.

C: Can you hear me better?

HMJr: Yeah, but get some --- I hear you now.

C: Yes.

HMJr: Can you hear me?

C: Oh, fine.

HMJr: He said you would come over at five.

C: Oh, five? It wouldn't suit you sooner, Mr. Secretary?

HMJr: Well, my trouble is that I've got to be over at the White House at 4:30. Dr. Suarez is coming at four.

C: Oh, I see.

HMJr: But --

C: All right. Well, I can, -- if I could run over there in about 5 minutes -- be there in about five or 10 minutes, I don't think it will take us long.

HMJr: That suits me.

C: Well, I tell you, I'll be there by 20 minutes, or at the very latest -- a quarter to four. -- at your office.

HMJr: Yeah.

C: And I don't think it will take more than 10 minutes.

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HMJr: Well, I don't think -- let's make a start anyway.

C: O. K.

HMJr: I was going to call you up before Grew called me and ask you if you didn't want to have lunch with me tomorrow on this subject. I know we won't get through in ten minutes.

HMJr: What have you got on for lunch tomorrow?

C: I'm very sorry, I've invited a lot of fellows to the Blair House.

HMJr: Oh.

C: Some Russian friends that we want to show a little attention to. Guess it would be a little difficult.

HMJr: Well, by all means take care of the Russians.

C: (laughs) That's what we are trying to do. (laughs) But I could come over almost any other time tomorrow. But I'll be there at about a quarter to four or a little before.

HMJr: I'll look forward.--

C: And we'll talk about it then.

HMJr: I'll look forward to seeing you, and I told Mr. Grew that I'm sure that you and I could get along all right.

C: I think so.

HMJr: Is it agreeable to you if I have Harry White present?

C: Oh, certainly.

HMJr: It is?

C: By all means.

HMJr: Thank you.

C: Bye.

March 22, 1945
4:06 P. M. 73

HMJr: Hello.
Miss Warner: Yes, sir.
HMJr: Miss Warner.
W: Yes, sir.
HMJr: This --- Will Clayton is here.
W: Yes.
HMJr: And he has been kind enough to bring over the document that we are all interested in.
W: Yes.
HMJr: On Germany.
W: Yes.
HMJr: Now Mr. Clayton is very anxious to get this thing cleaned up.
W: Yes.
HMJr: And he's ready to cancel all of his appointments tomorrow morning, and devote tomorrow morning to this.
W: Yes.
HMJr: And I'm going to ask Mr. McCloy and General Hildring to do the same thing. Hello?
W: Yeah, -I hear you. I'm just gasping.
HMJr: Well, you gasp, and catch another breath.
W: Well, all right.
HMJr: Now when I talked to Mr. McCloy about meeting him at quarter of nine, I forgot that I had an appointment from nine to nine-thirty tomorrow that I have to keep.
W: Yes.
HMJr: Out of the Treasury.
W: Yes.

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- 2 -

HMJr: But with that exception I can start at 9:30 and work right through the morning -- so can Mr. Clayton.
W: I see. Well, now, he has this State, War, Navy meeting at 10:30.
HMJr: What's that on?
W: Well, that's the meeting they have every Friday at 10:30.
HMJr: State, War, and --
W: Navy. Representative of the Secretary. It will be the Under-Secretary ---
HMJr: Oh, let's do something --- they never do anything at those things anyway.
W: Well, I'll tell him and I'll call you. He won't be back until about 5 o'clock.
HMJr: Tell him Mr. Clayton wants to get this thing through.
W: Yeah.
HMJr: He wants to sit down with us. We're going to sit here. See?
W: Yes, sir.
HMJr: And we are going to start at 9:30 tomorrow morning.
W: Yes, sir. I understand.
HMJr: And now I tell you --- I could do it a little bit differently. Mr. McCloy wanted to talk to me personally, you see?
W: Yes, sir.
HMJr: Has he got a car?
W: Yes, sir.
HMJr: I could be --- if he would pick me up at Wyoming and Connecticut (What's the name of the apartment?) 2029 Connecticut.
W: All right.

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HMJr: At 20 minutes of nine. Then he can have the talk on the personal matter that he wants to talk --

W: On the way down.

HMJr: -On the way down, and could come to my office.

W: All right.

HMJr: And start right in with Mr. Clayton and General Hildring.

W: All right.

HMJr: And then I'll have to excuse myself for a half an hour.

W: Yes sir.

HMJr: But Mr. Clayton will be here and we are going to start in, and you had better have your boss here and General Hildring, otherwise you may late out.

W: All right. Now, can I call you back about five O'clock?

HMJr: I'll be here because we are going to do business tomorrow.

W: Yes, I understand.

HMJr: I just wanted to -- (Laughs) -- you see I'm talking the grandfather -- very positive.

W: (laughs) Are you going to be so stern all your life?

HMJr: With everybody but the grandchild.

W: Yes, I believe that too.

HMJr: She can do no wrong.

W: That's good.

HMJr: She and Martha.

W: All right, good enough. I'll call you back about five o'clock.

HMJr: Thank you.

March 22, 1945
4:57 P.M.

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HMJr: Harry?

Harry White: Yes Sir.

HMJr: You boys will have something for me in the morning.

W: Well, we've just finished talking about it. I thought we would prepare a one page or two page document and in addition to that, we are going to try to continue to work on the document that we started to work with ---- until we finish that.

HMJr: If you don't mind my making a suggestion. You saw the tone I took with him, see?

W: Yeah. But, gee whiz, we'll be all right.

HMJr: Yeah. O.K. What?

W: They are working on it now.

HMJr: Well, if they can get it up to the house tonight I'd like to see it.

W: I'll speak to them.

HMJr: Anytime they can send it -- up to midnight.

W: O.K. By the way, just --- what advice have you got? We've got 15 minutes on the CBS ---- We got 15 minutes on the CBS broadcast Saturday night at a good hour, quarter of 11 to 11. We want some Senator, and we thought of trying Senator Burton in light of his attitude the other day. Do you think that is safe, or ought we stick to -- do you have any feelings one way or the other.

HMJr: Well, I've got this memorandum from Luxford. He's so worried about the House, I'd try to get some Republican on the House side.

W: On the House side?

HMJr: I'd try to get Jesse Wolcott.

W: Oh, he won't --- I know he won't come out and say -

HMJr: Well, I'd ask him -- I mean, I got this memorandum from Luxford.

- 2 -

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W: Well, I mean it will be embarrassing if we asked Wolcott because I know he is going to tell us he hasn't made his mind up yet. We might try Gamble, but I know that we can trust those fellows. However, I'll talk it over. You think it ought to be somebody from the House.

HMJr: I think it is much more important to have somebody from the House.

W: All right. Well, we'll talk it over.

HMJr: O.K.

March 22, 1945 78
5:00 P. M.

Operator: Go ahead.

HMJr: Yes.

Ted
Gamble: Hello, Mr. Secretary.

HMJr: Hello, Ted.

G: I read the conference.

HMJr: Yeah.

G: You asked me to call you after I'd read it.

HMJr: That's right.

G: I think it served a good purpose.

HMJr: Good. Go ahead.

G: I don't know whether you talked to Mr. Ball or not.

HMJr: No.

G: After the ticker came out, there has been a little rise in the RS market.

HMJr: I heard that.

G: Yes. Now as I told you all along, we didn't need to be rushed on it, or didn't need to push you on it, but I think sometime in the next ten days, we would need to have some information on it. I've made some checks to see what our problems would be, since I read the conference -- your press conference-- because I've had the time to --

HMJr: Look --

G: Yes.

HMJr: Supposing when I get ready to go home you ride home with me.

G: All right, sir.

- 2 -

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O

HMJr: Will you do that?
G: I'll be standing by.
HMJr: Thank you.
G: O. K.

O

O

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MAR 22 1945

Dear Mr. Crosby:

I've just heard a recording which you made of the new War Bond song, "Buy, Buy Bonds."

I want you to know how enthusiastic I am about the song and about your rendition of it. It is the best War Bond song I have heard in a long, long time; and I know, with your talent back of it, the song will get a deserved recommendation.

This is to thank you for all your past War Bond efforts and to hope that you will continue those efforts for the War Loan coming up in a few weeks.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Bing Crosby
10500 Gamarillo Boulevard
Hollywood, California

DL:jd

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MAR 22 1945

Dear Mr. McHugh:

Only yesterday I had the pleasure of hearing your new War Bond song, "Buy, Buy Bonds," written in collaboration with Mr. Adamson.

I want you to know that I enjoyed it immensely and that we in the Treasury are enthusiastic about it. I hope we shall be hearing it a good many times in the coming months ahead.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Jimmy McHugh
631 North Sierra Drive
Beverly Hills, California

DL:jd

Air Mail

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MAR 22 1945

Dear Mr. Adamson:

I have just written a little note to your collaborator, Mr. McHugh, on your new War Bond song, "Buy, Buy Bonds." I heard it yesterday as recorded by Bing Crosby.

I'm delighted to be able to tell you that everyone in the Treasury who has heard it joins with me in agreeing that it is the best War Bond song we have heard for a long, long time. We know that your song will be heard on many programs on behalf of War Bonds, and I am sure that it will contribute to the success of our War Bond effort.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Harold Adamson
Crescent Bay Drive
Laguna, California

DL:jd

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE
March 22, 1945

TO Secretary Morgenthau

FROM Mr. Luxford

For Action

You wanted me to speak to Dave Karr about Drew Pearson's broadcast last Sunday night relating to liquor bottles.

Before I speak to Karr I think you should consider the following points relating to our Regulations which are troubling me:

1. Commissioner Numan's memorandum points out that we modified our Regulations on August 31, 1943, so as to permit the delivery of liquor bottles for reuse to the bottler or importer entitled to package spirits in such bottles. I doubt whether that amendment leads to very practical results so far as ordinary consumers of liquor are involved. You and I, for instance, will put up with the inconvenience of returning beer bottles to the liquor dealer that sells us beer. I doubt very much whether we would put up with returning the bottles to the brewery but this is in effect what the Treasury Regulations, as amended, require, for they require "delivery to a bottler or importer." In my opinion, we have inserted a technical provision in the Regulations through which certain large consumers of liquor such as hotels and bars might return the bottles to the distillery but I don't think the Regulation means a thing so far as the ordinary consumer of liquors is concerned. Therefore, I think that a substantial part of Drew Pearson's objection is still valid.

2. Even assuming the merit of the technical exception which we made in our Regulations in August of 1943, I think there is a second serious practical objection to saying that Treasury Regulations are not interfering. I call your attention to Section 175.8 of the Regulations which provides as follows:

"SEC. 175.8 Indicia for domestic liquor bottles.-- There shall be blown legibly either in the bottom or in the body of each liquor bottle the permit number of the manufacturer, the year of manufacture (which shall be indicated by the last two numerals), and a symbol and number assigned by the Commissioner to represent the name of the bottler procuring the same, and there shall be blown legibly on the shoulder of each such bottle the words 'Federal Law Forbids Sale or Reuse of This Bottle' * * * (Underscoring added).

The important point in this Regulation is that our Regulations still require that each bottle bear the words "Federal Law Forbids Sale or Reuse of this Bottle." Accordingly, even though we may have technically modified our Regulations to permit the return of bottles under very onerous conditions, the fact remains that we still require the bottle itself to bear words in effect saying it is against the law to sell or reuse the bottle. I dare say there may be one person out of a thousand that knows anything about the technical amendment of our Regulations, but we all know that the bottle itself bears the statement that the Federal Law forbids its sale or reuse. Accordingly, I feel that if there is any merit in Drew Pearson's original criticism, that criticism is still valid as long as Treasury Regulations require an inscription of that character on all liquor bottles.

I will be glad to point out to Dave Karr what Commissioner Numan states regarding the regulations, but I do think in all fairness and to protect you, I ought to also inform him of the limitations of the action we have taken. Personally, I think it would be better if we were to tell Karr that while we had taken certain measures before Pearson's broadcast, we are reexamining the matter to see whether we may not want to take further steps.

May I have your views on this?

CRK

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE
March 22, 1945TO Secretary Morgenthau
FROM Mr. LuxfordFor Your Information

Chairman Spence spoke to me this morning and said he was concerned about what would happen if the Committee were to vote on the Bretton Woods proposals today.

He said that in his opinion the Republicans were going to line up unanimously against the Fund and that the Democrats were going to lose Baldwin and Barry from their side. He said if this occurred the measure would be defeated by a 14 to 13 vote.

He strongly urged that effective steps be taken at once to force Baldwin and Barry into line. He said it was the responsibility of the Democratic Party to keep its members in line and he wanted us to know something ought to be done.

I spoke to Joe O'Connell about it and he said he would speak to Hannegan.

OK

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE
March 22, 1945TO Secretary Morgenthau
FROM Mr. O'Connell

Representative Hoffman of Michigan, in an extension of remarks in the Congressional Record yesterday (pages 2615-2616), referred to a letter which he had received from Mr. Fussell with which was enclosed material from Detroit newspapers and others commenting on your Detroit Economic Club address on Bretton Woods.

Representative Hoffman said that the principal purpose of Bretton Woods is to make the American taxpayers pay for benefits which will be enjoyed by foreign nations and the people of foreign nations. He said that in order to corral the votes of the Detroit industrialists and of the workers in Detroit, "Henry baits his hook with the juicy promise that Detroit, if Bretton Woods is adopted, will get an order for a million automobiles in the immediate post-war period and that hundreds of thousands of jobs will be created." He asserted that you might far better have been appealing for a return to work for the production of war materials, and added: "But his mind apparently was not on the main, the vital issue; he was thinking of the future welfare of those who are not Americans."

Bretton Woods should stand or fall on its merits, Representative Hoffman said, and there is no excuse for a member of the President's Cabinet traveling around the country spending tax money in propaganda. He added that you should learn what other high administrative officials are learning and today acknowledge, that it is necessary to keep a sound, secure foundation under the American people, under American industry, and that cannot be done if the material for that foundation is shipped abroad, given away.

Joseph P. O'Connell

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The New York Times
Times Square

March 22, 1945.

Dear Mr. Secretary:

Thank you for your letter of March 20th. We have read the report of the CED with interest in this office and have had in type for several days an editorial which has been squeezed out by the war news but which we hope to be able to use soon.

With all best personal wishes,

Sincerely yours,

Charles M. ...

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

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MAR 22 1945

My dear Mr. DeLoach:

I was happy to see that you inserted in the Congressional Record for March 13 the excellent pamphlet prepared by the Congress of Industrial Organizations on the Bretton Woods proposals.

This pamphlet, together with the report which Mr. Murray sent to Congressman Spence and Senator Wagner last week, will go a long way to show labor the stake it has in the Bretton Woods proposals.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Hugh DeLoach

House of Representatives

RE:cc 3/15/45

MAR 22 1945

Dear Governor Szymozak:

Thank you for sending me a copy of the speech you made on March 20 before the Illinois Manufacturers Association.

I am very grateful to you for the fine work you have been doing in helping to put Bretton Woods across.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable M. S. Szymozak
Board of Governors
Federal Reserve System
Washington, D. C.

RB:ec 3/21/45

MONETARY AND CREDIT AGREEMENTS

Entered Into At
BRETON WOODS

by

H. S. SZYMCZAK

Member, Board of Governors
Federal Reserve System,
Washington, D. C.

Delivered before

Illinois Manufacturers Association,
Chicago, Illinois

March 20, 1945 - - 6:30 P.M.

FOR RELEASE IN MORNING NEWSPAPERS OF
MONDAY, MARCH 21, 1945

Last August while in London I had opportunity to study the plans for reconstruction and postwar economic stability of some of the governments in exile--particularly Belgium. The problem is immense, and its solution, or lack of solution, will affect us. It is an international problem.

The American people want to know, and rightly so, what our Government is planning for the postwar era.

As you know, plans are well advanced for the establishment of a food and agricultural organization of the United Nations. The meeting at Yalta has cleared the path between Dumbarton Oaks and San Francisco. And as the President told the country, on March first of this year after his return from Yalta, work is progressing on proposals to strengthen the Trade Agreements Act of 1934, to secure international agreement for the reduction of trade barriers, to control cartels and to provide for the orderly marketing of world surpluses of certain commodities. Within the past few weeks considerable progress has been made at the Mexico City Conference in dealing cooperatively with problems of this hemisphere.

During much of the period between the First and Second World Wars, one of the greatest obstacles to the orderly exchange of goods and services between countries was the uncertainty and difficulty which surrounded payment for these goods and services. The conference held at Bretton Woods last summer--which I had the privilege of attending--agreed on far-reaching proposals designed to remove this obstacle and enabling legislation is now before our Congress.

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What were the conditions in the two decades between the wars? Peace after the First World War was precarious and chaotic. In the political field, many countries experienced revolutions and counter-revolutions, or at the least frequent changes of government. In the economic field, much industrial plant had to be rebuilt to serve the needs of peace instead of war, and overworked farm land had to be reconditioned. People who had gone without through the war years scrambled for the meager available supplies of consumer goods. Prices shot up and we experienced all over the world a postwar inflation. International exchange was out of joint. Commercial contacts, broken by the war, were difficult to restore. Exchange could not be found to buy the imports needed for reconstruction and to put national economies back into working order. Monetary disorders spread throughout the world. Those who could, shifted their funds about looking for a "sound" currency--one that had some stability.

It is generally known that before 1914 the value of most currencies had been expressed in terms of so many grains of gold. Since gold was a commodity accepted the world over, this was an easy means of comparing the relative values of different currencies. For example, the French franc was fixed by law at about one-one-hundredth of an ounce of gold. The English pound sterling was fixed by law at about one-quarter of an ounce of gold. Therefore, by simple arithmetic, one pound sterling was the same as 25 francs or one franc was one twenty-fifth of a pound. Because of this fact, international trade could effect the exchange in goods based on a known relation between currencies of various countries.

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With the outbreak of the First World War, most countries refused to permit the export of gold and their banks ceased to pay out gold to individuals. The gold standard was abandoned. After the war, however, every effort was bent to return to the gold standard. But it was not always possible and in some cases it was not desirable to return to the old values for the various monetary units. England, however, did; so strong was the desire to return to what was considered to be normal relations that, in 1925, a pound was declared to be worth as much in terms of gold as it had been before the war. But this was too high a value for the pound, and it proved a great strain to maintain that value. Unfortunately, there was no international machinery under the gold standard under which the rates could be altered. There was no flexibility. There was rigidity. A change in the par values of currencies was a major operation which had its repercussions on the economic nerve structure of world trade. On the other hand, France did not return to the old value for the franc. The impact of the war and reconstruction upon the French economy had lifted commodity prices and made goods much more expensive in France. That is, it took far more francs than before the war to buy the same quantity of goods. By the same token, it took more francs to buy a pound sterling; the exchange value of the franc fell. Then in 1926, the franc was stabilized at approximately 125 francs to the pound instead of 25, as before the war. There was no possibility of returning to the old parity, and France was realistic in not endeavoring to do so. But a flight of capital had preceded French stabilization and the return flow afterwards aggravated the difficulties of other countries, especially England.

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You can imagine, if you do not recall, how difficult it was to carry on international commercial and financial business under these changing and uncertain conditions. There was basic uncertainty in values--in prices--in exchange. These conditions were needlessly protracted because each country operated on its own. There was no comprehensive plan for collaboration and cooperative action to restore a functioning international monetary system. Small loans were made to some countries to help them stabilize their currencies; but this assistance was sporadic and uncoordinated. Each case was treated separately. Toward the end of the 20's it was vainly imagined that normalcy had been restored. But the difficulties in the international field were even worse in the 30's than in the preceding decade.

As conditions in the 20's had settled down there had begun to be a considerable volume of international investment. Part of this was in long-term loans on which the interest and amortization charges made a heavy call upon the borrower's foreign exchange resources. Much of it represented short-term lending, partly in the form of deposits in foreign banks and the purchase of speculative securities, partly the financing of trade. Large quantities of goods were imported by the debtor countries on credit. In many cases, borrowing far exceeded the capacity of the country to repay, especially since the funds borrowed were not used to enlarge the productive resources of the country. In time some countries had to pay more for the goods and services they bought, plus net credit charges, than they received from their own goods and services abroad--that is, their balance of payments was said to be "unfavorable".

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It appeared necessary to impose restrictions upon purchases and sales of foreign exchange and upon international trade because the ability of many countries to maintain their purchases abroad had come to depend on their ability to borrow abroad. Few were able to do so. At the end of 1935, virtually all intergovernmental debts--save that of Finland--and 38 per cent of private bond issues were in default. At the end of the 20's, the volume of funds available for foreign investment began to dwindle; and finally, as confidence weakened, short-term funds began to be withdrawn. Debtor countries could not meet these drains except by shipping gold or using available foreign exchange. Obviously, there is a limit to this process. There was no machinery for international cooperative action to deal with such a situation. Each country felt that it was "on its own" and hastened to clamp on exchange and trade restrictions. Some hoped to stimulate their exports by making it cheaper for other countries to buy their goods. They did this by reducing the price of their currency. They depreciated. At the same time they tried to reduce their imports. The result was a general falling off in world trade. Exporting countries began to suffer from declining production and increasing unemployment. Countries whose economies were geared to a high level of imports could not find the exchange to pay for their imports. As a result the value of international trade in 1931 was only about one-half as great as it had been in 1929.

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All this added up to the world-wide depression of the 30's which is still fresh in our memories. At that time I was here in Chicago and well do I remember our situation, for I was then City Comptroller. The banks were closed. Tax collection was held up by a reappraisal of real estate. And when we began again to collect taxes the depression was upon us and property holders were unable to pay taxes. People were out of work. Each blamed the other for the difficulties. Back of the domestic depression was a world economic situation.

To keep things moving even on a low level, countries began to make agreements with others on the basis of "I'll buy more from you if you will buy more from me". Trade was forced into bilateral channels. Countries no longer bought in the most advantageous market. They bought wherever they could make a deal through the maze of regulations and restrictions which hampered international exchanges. There is no need to describe here the devices--some of them ingenious and all of them intricate--which were invented in this deadly game of economic war. We know now that it was almost as destructive to national and international well-being as had been the actual hostilities of the First World War. And it laid the basis for the Second World War.

I have taken this much time to recall to you the handicaps which confronted international trade after the last war because some people appear to have forgotten them, or at least their memory has dimmed. But those who were alert to the dangers of a repetition of these conditions after this war have devoted time and energy to seeking a way to avoid such a recurrence if possible. Interested individuals

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began systematic study more than three years ago. After many conferences and discussions, preliminary, highly tentative proposals for an international monetary institution were presented to the public in April 1943. A draft for an International Stabilization Fund was published by the United States Treasury and a draft for an International Clearing Union was published by Great Britain. Both proposals were put forward to encourage all interested parties to contribute to the solution of the extremely complex problems involved. Both proposals were widely studied, compared, debated and discussed, orally and in writing, by individuals, and in small and large groups, here and abroad. As a result of the wide area of agreement that was found to exist, a Joint Statement of Experts was published in April 1944. Further discussion culminated first in a preliminary meeting of representatives of many nations in Atlantic City in June and finally in the July Conference at Bretton Woods. The Bretton Woods Agreements, especially the Fund proposal, are designed to aid in achieving reasonable stability in the international monetary sphere in order to make possible a revival and expansion of world trade on a multilateral basis. They are a step--and a long step--in the right direction.

Admittedly the Bretton Woods Agreements are not a panacea for all the ills of the world. Unless the major industrial countries, especially the United States, succeed in maintaining reasonable stability of employment at high levels there will be very little chance of avoiding the measures of economic warfare employed in the 30's. In effect, these were measures to "export unemployment". By importing as little as possible and exporting as much as possible, each country

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hoped to keep its own people working. There is reason to believe that the major countries now are determined by domestic measures to prevent wide fluctuations in employment. Economic stability and full employment in the United States are certainly an accepted aim and purpose. But these should be reinforced by a healthy condition of international trade. The acceptance of the Bretton Woods Agreements will contribute in a substantial measure to the ability of countries to maintain employment at high levels without resorting to attempts to "export unemployment" to other countries.

If we are to have a healthy world trade, we need reasonable stability in foreign exchange rates, and adequate credit distributed where it will do the most good in rebuilding and developing national economies. The Bretton Woods Agreements are technical documents, the product of the experts of 44 nations, but they can be summed up simply. They spell out cooperation in the monetary and credit fields, and give detailed ways in which this cooperation can be achieved. The Agreements provide for the establishment of two international institutions: an International Monetary Fund, and an International Bank for Reconstruction and Development.

The Bank proposal is relatively simple. No serious differences of opinion arose in the negotiation of the Bank agreement, which has received widespread support and approval. The Bank follows a well-known pattern. Its job is to investigate projects for the reconstruction of war-torn areas, and for the development of backward lands for which long-term international loans are needed. When it is satisfied

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that a project is productive and that the borrowing country has a reasonable prospect of repaying the loan, the Bank will see to it that the loan is forthcoming on reasonable terms. This does not imply the elimination of private investment but it is unlikely that enough private capital will be lent to countries in need of reconstruction or development without some encouragement, especially immediately after the war when conditions will be uncertain. The Bank will operate for the most part either by guaranteeing loans made by private investors or by making loans with funds borrowed from private investors.

The benefits of the International Bank will be many. It will help members to achieve stable economies. It will distribute the risks of international lending. Although we may furnish most of the loans which the Bank guarantees, this country's share in meeting the risks involved will be only \$5 billion as a consequence of its subscription to the Bank. If international loans are made through the Bank, the dangers of imperialistic lending will be avoided. International supervision of foreign loans will make it difficult for foreign loans to be used as an instrument of political policy. The conditions which surround the issues of debentures by the Bank insure that they will be a prime investment security since the total of the Bank's loans and guarantees may not exceed the amount of its capital, surplus, and reserves. Only one-fifth of the \$9.1 billion subscribed by member governments can be used directly for making loans. The rest will remain in the form of unpaid subscriptions as a guarantee fund to meet any losses that the Bank may incur.

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The International Monetary Fund Agreement deals with a more difficult problem than does the Bank. Wider differences of opinion had to be reconciled before the negotiations were concluded. Changes will have to be made in it from experience. There is provision for amendment and there is room through interpretation for adjustment to conditions as they arise. It aims to prevent a repetition of the chaos which followed the last war and of the destructive monetary practices of the 30's, both of which I have reviewed. It substitutes cooperative international decisions and international action for the state of affairs we had in the past when each country made its own decisions and acted alone in what it thought were its own interests.

Under the Fund Agreement each member establishes the gold value of its currency by agreement with the Fund. Gold is still the most widely acceptable means of international payment. But this is not a return to the old gold standard. Although each country undertakes to maintain the established value of its currency at par, there is necessarily provision for altering the parity if it becomes evident that this value is too high or too low (because of changed conditions in the country's international position). The Fund will approve only changes that are really necessary, and object to those which are not. This means that no country will be able to sell its currency cheaply--that is, to depreciate its money in order to secure a competitive advantage for its exports. We have learned that if this is done, other countries are not likely to stand by idly but will join in the scramble with disastrous consequences for all.

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The Agreement also eliminates special exchange rates for particular types of transactions. Germany was the country which developed this device most fully. In the years before the war there were all sorts of reichmarks, representing the receipts from different kinds of business with Germany. The non-German owner could not dispose of these freely since the use of each type was limited to a particular purpose such as to pay tourist expenses in Germany, to buy certain types of goods, and so on, and the value of each kind in terms of other currencies varied greatly. In this way Germany arbitrarily made it cheaper or more expensive to buy particular German goods or to sell particular commodities to Germany, and manipulated this device to obtain a competitive advantage in international trade.

The requirement that the Fund approve necessary changes (after the first 10%) will also mean greater stability of exchange rates in the long run. Not only will unnecessary changes be eliminated, but necessary changes can be made in an orderly way before the situation is completely out of hand.

If French production costs (wages and other items) for instance, happen to rise much above production costs in England, French producers will gradually lose their foreign markets--both in England and in other countries--to British producers. French producers will lose even in their domestic market, as their high cost goods are being increasingly displaced by lower cost goods imported from Britain. If the basic maladjustment in the cost structure is not the result of a temporary condition, but reflects a fundamental and lasting change, French production will eventually decrease, unemployment will rise and monetary reserves will

- 12 -

be drained by the deficit in the balance of payments. The French currency will tend to fall in value, speculators will rush to buy foreign exchange and, in many cases, the resulting monetary depreciation of the French franc will be greater than what was really called for to correct the initial cost maladjustments. If an appropriate change is made in the value of the currency relative to the currencies of other countries before this train of circumstances is set in motion, much confusion and distress will be avoided and the necessary adjustment can be an orderly one.

European currency history between the two wars illustrates this problem in the clearest possible way. As I said before, in 1925, England went back on the gold standard at the prewar gold/parity, while continental countries depreciated their currency to a considerable extent. The resulting cost disparities between England and other countries resulted in a severe and protracted economic depression in Great Britain until the devaluation of the pound in 1931. As the pound declined further and further in the following years, production costs in Europe increased in terms of sterling and, in turn, became completely out of line with British costs. The attempts of the gold block countries to maintain the parity of their currencies in the face of such heavy international cost disparities led to intense depression and unemployment and proved futile in the end. Belgium was the first country to bow to the inevitable. Her relatively prompt decision permitted her to limit the devaluation of the Belgian franc to only 26 per cent. France meanwhile resisted to the last, with the result that the devaluation, when it came, depreciated the French franc by about 60 per cent as compared with the Belgian 26 per cent.

- 13 -

Under the Agreement also, all members promise to eliminate restrictions on foreign exchange transactions as soon as possible. Of course, during the war, each country must keep strict supervision over its international transactions. I am not speaking of war-time controls but of the sort of regulations in effect before the war. Many countries at that time had less foreign exchange than they needed. That meant that importers in those countries were rationed as to the amount of foreign exchange they could use, and exporters were required to turn over their receipts to some governmental agency which parcelled them out. This arrangement, as we have seen, interfered with normal trade, which was shifted into particular channels, and often led to the domination of the economy of one country by another for political ends.

The case of Germany and Hungary illustrates what happened. In preparation for war, Germany was anxious to acquire large stocks of goods, and was willing to pay well for them in German marks. The Hungarian Government had subsidized farm output in order to avoid the bankruptcy of its farmers when agricultural prices in world markets dropped, and the prices of Hungarian wheat and meat were much higher than Germany would have had to pay elsewhere. But Germany could not buy elsewhere because it did not have the dollars or the pounds or the pesos to do so. An agreement was signed between Hungary and Germany whereby Germany agreed to take Hungarian goods at the high Hungarian prices, and sell to Hungary German goods--also at high prices. The transactions were balanced against one another in a "clearing account".

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Each country tried to prevent an unsatisfied debt from piling up in the clearing account. Under this arrangement both Hungary and Germany were paying more than they should have for the goods which each imported from the other. Hungary lost its other markets because of its high prices and had to concentrate on the German market.

Germany began to dictate trade terms to Hungary, to tell it what sort of goods it must produce if Germany were to take them. Then Germany went to war, the Hungarian economy was firmly tied to that of Germany and thus Hungary inevitably became a partner of the Axis.

This is the sort of thing we do not want to have happen again. Under the Fund Agreement, members undertake to abandon such bilateral clearing arrangements and discriminatory currency practices as give exporters special premiums if they ship goods to countries the currencies of which are particularly desired. This commitment applies to the abandonment of restrictions on foreign exchange transactions on current account, that is, those arising out of shipments of goods, tourists' expenditures, immigrant remittances, and the rendering of services. Members are permitted to control capital transactions such as money sent for deposit in foreign banks or for use in stock market operations. Real investment can be encouraged and the speculative movement of funds limited; this will contribute substantially to international monetary stability.

It is not expected, of course, that the whole body of regulations over foreign exchange transactions shall be done away with at once. Only confusion would result. The patient is very sick, and

- 15 -

recovery, at best, can be only gradual. On the other hand, unless a concerted effort is made as soon as possible to eliminate such practices, there is grave danger that many countries will fall back on them to balance their international transactions after this war. They must have an alternative which will make such action unnecessary.

However earnestly the member countries may desire to live up to their agreements as far as exchange rates and exchange restrictions are concerned, it will not be easy for them to do so. To help them, a Fund of almost 20 billion is to be established, made up of gold and the currencies of all the countries which are members. This Fund will be used to assist member countries faced with temporary balance of payment difficulties such as might follow a bad crop or a loss of a market for a short period. Should the deficit prove to be more than temporary, the Fund will continue to give the member assistance only if it takes adequate steps to correct the situation.

I have sketched briefly the mechanism of the Fund, and indicated the aims which it is hoped it will achieve. Doubtless, you have all heard and read some criticism of this plan, and I should like to mention the main point around which this criticism centers. During the last twelve or thirteen days I have been attending and closely following the hearings on the Bretton Woods proposals in the Banking and Currency Committee of our House of Representatives and feel that the quest for information concentrates mainly on this point.

- 16 -

It has been argued in some quarters that foreign countries will abuse their privilege of drawing on the Fund and that the Fund's resources will be wasted. The position taken by the critics is that in order to insure that members take advantage of the time during which they are drawing on the Fund to correct the imbalance in their international position, aid should be given only after special investigation and agreement as to the conditions under which the funds are to be used. This view misinterprets the very essence and purpose of the Fund.

A whole series of automatic and discretionary controls is specifically designed to prevent undue use of the Fund by any member country and to ensure wise use of the Fund's resources.

Take, for example, the important automatic controls. Definite limits are established on the amount of foreign exchange a member may obtain from the Fund in any single year or as a maximum over a period of years unless special permission is given to exceed these limits. Secondly, member countries must pay a small service charge on all foreign exchange purchased from the Fund. In addition, an annual charge is levied on a member country using the Fund. This charge increases, the larger the use of the Fund's resources, and the longer the period over which the resources are used by a member country. Thus, constant pressure is put on a member country to reduce its drawing on the Fund.

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Another automatic control is the obligation of all member countries to repurchase their own currencies from the Fund with gold or foreign exchange. This obligation is so framed as to require countries adequately supplied with gold and foreign exchange reserves to draw on them at the same rate that they draw on the Fund, and it also requires (with qualifications) countries which are gaining gold and foreign exchange to use half of the amounts gained to reduce their drafts on the Fund.

The discretionary controls are even more important than the automatic controls. The Fund can postpone the beginning of its exchange operations until it is satisfied that most members are in sufficiently stable condition to warrant use of the Fund's resources. Furthermore, once it has commenced general exchange operations it can postpone transactions with any individual country which is not in a position to make appropriate use of the Fund's assistance.

Once the Fund has begun operations with any member, however, that member can proceed with the assurance that it can come to the Fund and receive help in meeting payments due for foreign goods and services without delay. This feature of the Fund proposal lies at the very core of the whole agreement. It assures the availability of exchange. Since members can confidently expect assistance from the Fund, they will be able to undertake to maintain stable exchange rates and to eliminate restrictions on foreign exchange transactions. In many cases the fact that assistance is forthcoming without delay will prevent temporary disturbances from having serious repercussions on the international position of other countries. If a drop in any single country's

- 18 -

exports leads to defensive deflationary measures and restrictions on imports, that country's exchange difficulties will spread to other countries and a vicious circle of restrictions on trade and deflation will ensue.

Should the difficulties of a member country prove to be more than temporary, the Fund has a very important discretionary power to ensure that the country does take advantage of the time during which it is drawing on the Fund to put its house in order and correct its position. The Fund can stop a member from drawing on the Fund if it is not using its resources in accordance with the purposes of the Fund. The purposes as stated in the Agreement make it quite clear that the Fund is to be used to help countries meet temporary deficits and to give them time to correct more deep-seated maladjustments.

It is evident to me that the period during which the Fund and the Bank are needed most is the immediate postwar period before individual countries begin to impose new and additional restrictions on foreign exchange and foreign trade. Prompt establishment of the Fund and the Bank would also give member countries confidence which they must have to place their economic houses in order with the least possible delay.

It therefore seems to me that with the knowledge we have of the problems of the 1920's and the 1930's we have agreed at Bretton Woods with competent representatives of other countries on sound economic principles to help solve these problems and the solution of these problems is in our interest. Therefore the International Monetary Fund and the International Bank for Reconstruction and Development should, after due and proper consideration, be approved by our Congress.

Treasury Department
Division of Monetary Research

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Date March 22, 1945 19

To: Secretary Morgenthau (For information)

From: Mr. Coo FC

Subject: Financial situation in Free China

In connection with our discussions on gold shipments to China and U. S. Army expenditures, you may be interested in glancing at the attached memorandum giving a brief summary of the present financial situation in China.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE March 22, 1945

TO Secretary Morgenthau (For information)

FROM Mr. Coo FC

Subject: Financial Situation in Free China

1. The inflation in Free China is now experiencing a new spurt indicating that unlimited sales of gold and other palliative measures, such as changes in the tax system and personnel shifts in the Ministry of Finance, are not able to affect materially the current situation.
 - (a) Prices in China are now rising more sharply than in previous years and there is no sign of their levelling off. The rate of increase is now as high as 50% per month in some areas and more than 25% per month in most.
 - (b) Note circulation in February, 1945, amounted to about CN\$226 billion as compared with CN\$86 billion in February, 1944, and is increasing at a rate of about 10% per month.
 - (c) U. S. dollars are now selling in the open market at around CN\$560 per US\$1 as compared with a rate of about CN\$200 a year ago. Gold is selling in the black market at CN\$46,000 per ounce or the equivalent of US\$2,500 per ounce at the official rate of exchange, while the Government's official selling price is only CN\$20,000 per ounce. The value of the Chinese national dollar in terms of the black market price for gold is about CN\$1,200 per US\$1.
2. Central Government expenditures are now averaging about CN\$35 billion per month as compared with an average monthly expenditure in 1944 of about CN\$15 billion. Revenue from taxes amount to only about CN\$5 billion per month or about 15% of total expenditures while receipts from gold sales amount to about CN\$7 billion per month or about 20% of total expenditures. The remaining deficit of more than CN\$20 billion per month is financed by note issue.
3. U. S. Army expenditures are in the neighborhood of CN\$4 billion per month or about 10% of total Central Government expenditures.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

March 22, 1945

TO Secretary Morgenthau
FROM Mr. DuBois

You will be interested in the following excerpt from a speech by Representative Gore before the House on March 19, dealing with his personal observations of the operations of military government in Germany:

"I think it is of utmost importance that our every move, not only from the hour of Germany's surrender, but in the making of plans right now, should be taken with these primary facts as our guide. There will be times when it will be easier, less costly, and more expedient to improvise.

"For specific example, there is now under discussion a proposal for a centralized economic administration of the whole German nation. This proposal is contrary to all of our planning until recently, and arises, at least in part I believe, out of desires for reparations. Undeniably, the German railroad system can be operated more efficiently with a centralized administration at Berlin; the integrated German electrical generation and transmission system can be more efficiently administered by highly centralized methods; the internal waterways system can be more easily controlled by one central authority. After all, that is the way the Nazis have been doing it. There is no doubt but that Germany can produce more goods for reparation with a centralized economic administration of the nation as a whole. But what price reparations? By that one move we would eliminate any opportunity for the growth of a separatist movement.

"If our aim is to rebuild a strong centralized Germany, as quite a few influential citizens of more than one country advocate, then a highly centralized economic administration of the whole German economy would appear to be a logical step in that direction. If our aim is to restore and rebuild German productive capacity, then it would seem logical to so manage her economics as to increase

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- 2 -

production of reparation goods or for any other purpose, the effect being largely the same insofar as war potential is concerned.

"But if, on the other hand, we want to provide fertile economic and political soil for the possible growth of separatist or partition sentiment within Germany, then this proposed step, though admittedly expedient for the moment, would defeat the purpose. Should this possibility be thrown overboard before we even get started? If so, for what? Another Germany as the economic pulsation of Europe?"

geo

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March 22, 1945

Dear Bill:

Thank you for your letter of March 18th, enclosing a copy of the Paris Intelligence Weekly No. 20, and for your letter of March 20th, with which you enclosed a copy of the study "German women During the war and After". I shall read these reports with interest.

Yours sincerely,

(Signed) Henry

Major General William J. Donovan,
Director, Office of Strategic Services,
Washington, - D. C.

Enclosure original Confidential

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

SECRET

19 March 1945

Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Treasury Department

Dear Henry:

I am enclosing a copy of one of our Research and Analysis Branch reports, entitled Paris Intelligence Weekly No. 20, which I think you will find interesting.

This memorandum deals with (1) political regrouping in France; (2) Luneray, a rich Norman farming community; (3) the contact of the French Government with both the Austrian underground resistance and the anti-Nazi Austrians in France; and (4) conditions in Belgium during January.

Sincerely yours,

William J. Donovan
William J. Donovan
Director

Enclosure.

SECRET

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

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CONFIDENTIAL

20 March 1945
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Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Treasury Department Building
15th & Pennsylvania Avenue
Washington, D. C.

Dear Henry:

I am attaching copy of a study on
"German Women During the War and After" which
I believe you will find of interest. This was
prepared by our Research and Analysis Branch.

Sincerely yours,

Bill

William J. Donovan
Director

Recy sent this report on to Mr. White

CONFIDENTIAL

116 ✓
March 22, 1945

My dear Lieut. Rutzell:

This will acknowledge receipt
of your letter of March 22nd, enclosing
a copy of radiotelephone message #200,
from Berns. Thank you for sending this
to me.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Lieut. A. J. Rutzell,
Acting Executive Officer,
Office of Strategic Services,
Washington, D. C.

Analyst stamped Confidential

RESTRICTED

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OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

22 March 1945

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

My dear Mr. Morgenthau:

The attached radiotelephone message #289
dated 21 March 1945 was received last night from our
representative in Berne.

It is forwarded as being of possible interest
to you.

Sincerely,

E. F. Putzell, Jr.
E. F. Putzell, Jr.
Lt. (jg), USNR
Acting Executive Officer

Attachment

RESTRICTED

12"

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OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE 21 March 1945

#209

FROM DORSE

1113

PRIORITY

TO

DIRECTOR, OFFICE OF STRATEGIC SERVICES

ROUTINE

DEFERRED

DISTRIBUTION

(FOR ACTION)

(FOR INFORMATION)

RECEIVED IN PLAIN TEXT

RESTRICTED

RESTRICTED

GERMANY

A German businessman, who has just arrived from Berlin, gives the following picture of the Russian behavior in occupied German territories in the East. The Russians are treating the Germans in the occupied territory on the whole very fairly. The Russian policy is to let the occupied territory go on working, leaving it in the condition in which it is found and saying that it must produce the same quantities as before. Later, a workers' committee is set up in each plant to see which executives should be got rid of, of those to be discharged, those whose conduct was otherwise all right are given a pension, and those whose conduct was hostile are shot. The Russians recognize the value of engineering personnel. They are following a clear line. They are shooting the Nazis, but are being good to the workers, engineers, and those whom they need. The German people are cooperating with the Russians in the occupied area up to a certain point. They feel more secure than under the Nazis. The large estates are being divided up and given to the farmers, with notice, however, that the farmers may have to join a Russian cooperative.

The Germans feel that the Russians are making a success of their occupation, and there is a growing feeling that they will make a greater success than the English and Americans will of theirs. For one thing, the Russians never bombed workers' quarters, and the Germans feel that they committed less wilful destruction. The Russians do not strafe fleeing German civilians but instead assist them to get out of the districts the Russians are about to capture. The German businessman making the foregoing comment feels that the Americans, with their stand-off policy towards the ordinary German on the one hand, and with the likelihood that they will not shoot many Nazis, on the other, will probably blunder in their occupation methods.

RESTRICTED

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, 25

MAR 22 1945

Dear Mr. Rockefeller:

This will acknowledge your letter of March 15, 1945. The Treasury is indeed sorry that Mr. White could not personally attend the Mexico City Conference, but we are very glad to learn that the participation of Mr. Mess and Mr. McNovits in the work of the Conference was helpful.

Please accept my personal congratulations for the success of the Conference and the constructive contribution it has made to the problem of world peace.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Nelson A. Rockefeller,
Assistant Secretary of State,
Washington 25, D. C.

BGI:ers 3/21/45

ASSISTANT SECRETARY OF STATE
WASHINGTON

March 15, 1946

Dear Mr. Secretary:

We were very sorry indeed that Harry White could not be with us at the meeting in Mexico City, for under your direction during the past years he has been one of the leaders in developing the inter-American system. However, you were very ably represented by Mr. Ness and Mr. Moskovitz, both of whom made an important contribution to the deliberations.

I think the final results of the Conference were very gratifying and will result in carrying us one step further down the road towards the peace and security of the world.

With warm personal regards,

Sincerely,

Nelson A. Rockefeller
Nelson A. Rockefeller

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

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 3/22/45

TO Secretary Morgenthau (For your information.)
FROM Mr. Coe FC

The financial representative of the London Poles inquired again about printing Polish currency in this country for the Government in exile.

After clearing with the State Department, Mr. Zoltowski was told that in view of the pending formation of a new Polish Government and because of the tight situation on printing facilities it was our view that no arrangement should be made now for the printing of this currency.

Mr. Zoltowski replied that he personally was glad of the decision and he would not press the matter; but he would inform his government of this decision.

cc: Mr. D. W. Bell
Mr. H. D. White

12"

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MAR 24 1945

My dear Mr. Charge d'Affaires:

This is in further reply to your communication of February 2, 1945, relative to the United States Army expenditures in Belgium.

Under date of March 12, 1945, the Secretary of War advised us that there would be some delay before definitive figures relating to these expenditures can be provided, because the initial reports are just beginning to flow back to the War Department. The first certification covering the period ending December 31, 1944, and the second certification covering the period ending March 31, 1945 will be available on or before June 15, 1945. Thereafter, the time lag necessary to accomplish formal notification to the Treasury Department will be not less than sixty, and not more than seventy-five days. The tabulated data, on the basis of which certification will hereafter be made, will be available for the inspection of your officials at any time after the dates of certification mentioned above.

In view of the previous Treasury request for certification which would permit immediate part payment, the Secretary of War recommends that a part payment on account, not in excess of \$1,000,000, be effected at once without reference to any specific period of time. We shall, therefore, be glad to receive your instructions as to the method and place of payment of this initial sum of \$1,000,000.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Baron Herve de Gruben,
Belgian Charge d'Affaires, a.i.,
1715 - 22nd Street, N. W.,
Washington, D. C.

MF:mb 3-16-45

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MAR 22 1945

My dear Mr. Secretary:

This is to acknowledge receipt of the communication from your Department of March 10, 1945 (FMA), relating to a draft note prepared by the National Bank of Belgium concerning Belgian frozen assets in the United States. In accordance with your request the receipt of this draft note as well as its contents will be kept confidential.

Very truly yours,

(Signed) H. Morgenthau, Jr.

The Honorable

The Secretary of State

Rat. to H. Morgan 2/15/45

12"



DEPARTMENT OF STATE
WASHINGTON

CONFIDENTIAL
in reply refer to
FMA

March 10, 1954

The Acting Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and encloses herewith two copies of a translation of a draft note prepared by the National Bank of Belgium for transmission to the Belgian Embassy in Washington, concerning Belgian frozen assets in the United States, which was received from the American Embassy at Brussels. The enclosures referred to in the draft note were not included in the transmission from Brussels. The Embassy states that the National Bank intended to submit the draft to the Ministry of Finance and the Ministry of Foreign Affairs before forwarding it to Washington.

It is requested that the fact of the receipt of the draft note as well as its contents be kept confidential.

Enclosure:

Translation of a draft
note prepared by the
National Bank of Belgium.



G.L.

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CONFIDENTIAL

NOTE FOR THE EMBASSY OF BELGIUM IN WASHINGTON

Upon receipt of cable No. 322 dated October 8 and of the report of September 26, serial No. 854, concerning the lifting of the American Treasury's controls on frozen assets in the United States, these communications were examined thoroughly by the National Bank of Belgium and by the Belgian-Luxembourg Exchange Institute which gave special consideration, in its organization, to the requirements of the American Treasury.

At the same time, the procedure adopted to ensure the release of Belgian assets in Great Britain was perfected. This question is similar to the one under consideration in the United States.

The problem was, furthermore, the subject of many exchanges of views with the Embassy of the United States in Brussels which followed the establishment and organization of the Belgian-Luxembourg Exchange Institute very closely.

We are assured of the complete support of this Embassy for the carrying into effect of the measures of application which shall be described further on.

It would be desirable, in order to ensure a certain uniformity, that similar, if not identical rules, should be applied to the unfreezing operations carried out in the United States and in England, inasmuch as parallel negotiations are being pursued with France and Switzerland and will soon be begun with Canada, Portugal and the various countries of the sterling area.

The

-2-

The 'Orvis-Schmidt - Baron de Gruben' memorandum, dated July 8, the note sent to Schmidt on 9/14/1944 and the report No. 854, dated September 26, were used as a basis for the organization of the Belgian-Luxembourg Exchange Institute and for the practical application proposals which follow and which would be desirable for the Embassy in Washington to negotiate with the United States Treasury.

I. EXPOSE OF THE EXISTING ORGANIZATION

Hereunder, for more clarity, is a description of the Belgian organization in the way of exchange control.

A. Belgian-Luxembourg Exchange Institute.

(Moniteur Belge No. 31 of October 7, 1944, page 406, and No. 92 of December 7, 1944 page 1310 and No. 65 of November 10, 1944, page 861) - enclosures 1, 2 and 3.

It is the function of the Institute to define the policy of exchange control. For this purpose, it enacts all the necessary regulations. Its powers are very extensive. In the performance of its mission duties, it will take into account not only Belgium's own economic interests but will also see to it that enemy nationals take no part or have any interest in the transactions, especially as regards operations with neutral countries.

This also applies to Belgian nationals who may represent enemy interests either directly or indirectly.

For this purpose, a special section of 'trade with the enemy' was created in the Foreign Service of the National Bank. This section's duties include everything concerning enemy interests. It is consulted before a transaction of a commercial or financial nature entailing a transfer, contemplated with a foreign country, receives the approval of the Institute.

By

-3-

By 'transfer' one should understand here the transfers of Belgian francs into foreign currencies or vice-versa, as well as transfers into Belgian francs from the Belgian franc account of a Belgian national to the Belgian franc account of a foreign national or vice-versa.

As the law permits it to do, the Belgian-Luxembourg Exchange Institute has entrusted its routine management to the National Bank which represents the Institute over its own signatures (in particular, that of Mr. Frère, Governor of the National Bank and President of the Institute, and that of Mr. H. Ansiaux, Director of the Bank and Member of the Council of the Institute, as well as the signatures of the officials of the Foreign Service of the National Bank of Belgium). (See enclosure 4, decision of the Institute and enclosure 5, copy of the agreement reached between the Institute and the Bank).

The Council of the Institute determines the exchange control policy, within the framework of the monetary policy and in particular of the exchange policy laid down by the National Bank; the Bank, on the other hand, ensures the execution of the decisions of the Institute and applies the regulations drawn up by the latter.

By virtue of an agreement reached between the Belgian and Luxembourg Governments (enclosure 6) there is only one exchange control for the whole Belgian-Luxembourg economic Union and the decisions of the Institute are applicable throughout the Union's territory. The Grand-Duchy Government has taken the necessary measures for this purpose.

The Institute, through the National Bank, controls all transactions with foreign countries, whether they are of a commercial nature or of a purely financial nature.

In the

-4-

In the case of operations relating to international trade, the Institute operates through delegates of the Bank to the Priorities Committee (enclosures 7, 8, 9 and 10).

For the operations of a financial nature the control is carried out either by means of general regulations - kind of "general license" issued in particular for the traffic in bank notes belonging to frontier workers or boatmen, for the issue of checks to travellers, for the transfer of food aid, etc. or by the issuance of general or individual licenses.

It is planned to issue general licenses either for operations relating to a specific currency - for example: the Congolese franc -, or, for operations relating to a specific article - for example: wheat imports - or for operations concluded by a specific firm.

In this last case, the issuance of a general license would be subject to the furnishing of periodic statements and to a right of inspection on the spot of the correspondence and accounts.

Finally, individual licenses are necessary for all operations which do not come under the general licenses.

For the time being, only individual licenses can be issued for transfers of capital.

With respect, in particular, to the relations between the Colony of the Congo and the Belgian-Luxembourg economic union, an agreement is being negotiated. The examination of the text of the draft agreement (enclosure 11) enables one to realize that, although the control remains independent in the Colony, it will nevertheless be under the supervision of the Institute in order to ensure unity in the exchange control policy.

B. Legislation

-5-

B. Legislation relating to exchange control.

The control is based on the interests which institute it, a decree-law (enclosure 12: Moniteur No. 31 of October 7, 1944, page 408) which determines the general principles and is ordered by the Regent (enclosure 13: Moniteur No. 31 of October 7, 1944, page 414) which defines the scope of application of these principles.

This legislation is completed by the decree-law prescribing the declaration of gold and assets abroad (enclosure 14: Moniteur No. 31 of October 7, 1944, page 401).

It should be pointed out that compliance with this legislation is singularly strengthened by the obligation of the Institute to serve as a medium for obtaining the free disposal of assets abroad.

To reply, on the other hand, to a question presented by report No. 104 of September 18, the exchange control and the declaration of assets apply only to residents on Belgian or Luxembourg territory.

Belgians residing abroad are not subject to the Belgian control.

Colonials are subject to the control established in 1940 in the Colony. The control remains in force.

This whole system is already in operation but will when in scope only be transactions with foreign countries where possible, which is now the case only on a very limited scale.

For purposes of information enclosure 13 gives the diagram of the organization of the Congolese Institute and of the National Bank departments entrusted with the application of this control.

S. Deboonien

C. Mechanism of the release of Belgian assets in England.

The release of Belgian assets in England is the result of the Agreement between His Majesty's Government in the United Kingdom and the Belgian Government, relating to property in the United Kingdom belonging to persons resident in Belgium (see Enclosure 16).

In application of the Agreement, the Belgian Office of Management and Liquidation was appointed by the Government as agent responsible for indicating the Belgian assets which can be the subject of a release.

De jure, the Belgian Office of Management and Liquidation has become the "custodian" of this property, de facto, it contents itself with giving instructions to the Board of Trade, English "custodian" which simply transmits them to the depositaries.

By virtue of the instructions which it has received, the Belgian Office of Management and Liquidation acts only upon the permission and at the request of the Belgian-Luxembourg Exchange Institute (National Bank) which issues the permits for release.

In the English system, the assets of the same nature and of the same person remain frozen until the Institute authorizes their release; this release is never partial, it affects all the assets as the owner of them is supposed to remain a "technical enemy" until the Institute announces that he no longer has this status, after which time the English authorities release all his assets.

This does not prevent the assets thus released, of which the Institute has been able to verify the nature through the information at the disposal of the Belgian Office of Management and Liquidation, from remaining under

under the control of the Institute (National Bank) and from being used without the prior agreement of the latter.

Procedure has been adopted according to which:

- 1) Belgian nationals request the Institute (National Bank) in writing to release their assets in England;
- 2) The Institute (National Bank):

- a) verifies the agreement between the request for release and the declaration made in application of the decree of October 6 (Moniteur, page 401, see enclosure 14);
- b) makes certain that the applicant presents every guarantee from the point of view of trade with the enemy;
- c) verifies the powers of the persons entitled to represent legal persons and verifies the signatures of legal persons as well as of civil persons (signature authentication);
- d) places any conditions which it may deem advisable as to the release of the assets. This condition may consist in requiring the transfer of the asset to a Belgian bank approved by the Institute in which the person in question will have an account in foreign currency of which the equivalent value abroad will not be in his direct possession but in that of the approved bank which gives a much greater guarantee from the point of view of control under the approved banks are/strict supervision.

- 3) If it authorizes the release, the Institute transmits the request to the Belgian Office of Management and Liquidation with the instructions required by the decree;
- 4) the Belgian Office communicates the authorization to the Board of Trade which transmits it to the depositary of the assets who in turn releases them;
- 5) the Belgian Office is informed of the operation and informs the Institute (National Bank) which, in turn, informs the owner of the assets.

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The assets released in England are free to be used for any payment in sterling as well as for any purchase of merchandise even for export.

The transformation of these assets into a foreign currency other than the sterling franc is subject to the consent of the Bank of England and is possible in practice only through prior transfer to the account of the National Bank which carries out the operation itself if it deems it advisable from the economic point of view and within the framework of the economic policy of the government, of its own monetary policy and of the policy of the Council of the Exchange Institute.

By virtue of the monetary agreement between Great Britain and the Belgian-Luxembourg Economic Union (enclosure 17) the transfer of pounds sterling into Belgian francs is always permissible and is performed by credit to the account of the National Bank or of a bank approved by the Exchange Institute.

Approved Banks.

Approved Banks are those which the Exchange Institute authorizes to engage in foreign exchange operations. They are authorized in particular to have a permanent cash balance in foreign currencies and to maintain accounts abroad.

Approved Banks are authorized to dispose of their assets in foreign currencies only for operations which, in the name of their customer, or in their own name if it is a question of operations relating to their own activity, are covered by general or individual licenses or are performed within the framework of regulations checked by the Institute.

They

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They are subject to a severe accounting and statistical control facilitated by the existence of the Banking Commission (decree No. 186 of 7/9/1935, enclosure 18), the permanent presence of a reviewer who reports to the Banking Commission and the periodic communication to the National Bank of the accounting documents, provided for by the legislation on the subject of exchange control.

Furthermore, the Institute requires special periodic statements, the correctness of which it has verified on the spot by its own inspectors working in connection with the "Department of Inspection of Bank Statements" of the National Bank and the reviewers of the Banking Commission.

Approval can be granted to those banks which appear on the list drawn up by the Banking Commission which have denominated the security required by the decree of August 31, 1935 (enclosure 19: banks the names of which are followed by an asterisk) and pay the dues for the benefit of the Institute (enclosure 20).

The list of approved banks is not drawn up as part of them have not yet asked to be approved. This list will be communicated to the Embassy as soon as it will have been completed.

5. Contacts with the Embassy of the United States in Brussels.

Everything that precedes, including the contents of the enclosures, has been brought to the attention of the Embassy of the United States in Brussels and has been the subject of several exchanges of views with the Financial Attaché in Brussels (Mr. James T. Gihert) and with representatives of the United States Treasury who come from London especially for this purpose (Messrs. Aaron and Patterson, assistants to Mr. S. Taylor).

A note

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A note was transmitted to Mr. J. Swihart (enclosure 12) setting forth, in particular, the measures taken by the Institute (National Bank) to prevent the enemy from taking any part or having any interest in the transactions.

The term "enemy" is meant here in the general sense; it can include certain "blocked nationals" with whom Belgium is not at war (Bulgarians, Hungarians, Rumanians, for example) but it is obvious that it can not be applied without discrimination to all the neutrals with whom we must trade without delay such as the Swedish, the Swiss, the Portuguese and even the Spaniards.

All precautions are taken so that payments made to the residents of these countries can in no way benefit the enemy or persons appearing on the black lists, but it goes without saying that normal commercial relations must be made possible.

II. RELEASE OF BELGIAN AND LUXENBOURG ASSETS IN THE UNITED STATES

A. Use of the General license No. 49 (Swedish system).

This method, which is advocated by the United States Treasury, consists in authorizing the disposal of assets insofar as:

- a) the transaction is not performed by or for or on the instructions of a national of a "blocked country" other than Belgium;
- b) that the transaction does not affect property in which "a blocked country or national thereof" other than Belgium or a Belgian has, or has had, any interest since May 10, 1940.

In all

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In all cases in which the transaction was not ordered directly by the Belgian Government or by the National Bank of Belgium it is permitted only by authorization of the Exchange Institute (in a necessary case through its representative in the United States) who must certify in writing that the two requirements listed above under a and b have been complied with.

This system is very restrictive, it requires the intervention of the Exchange Institute (National Bank) for each operation and risks hampering considerably transactions at a time when a direct trade between Belgium and the United States is being resumed, many payments will be made.

The situation is different from the one which prevailed before the liberation of the countries of Western Europe when, due to maritime traffic difficulties, Sweden had practically no trade with the United States and had only financial settlements to make.

Furthermore, Sweden is a neutral country which trades with the enemy, Belgium is an allied country which is fighting against Germany and has as much interest as the United States in opposing any form of direct or indirect aid to the enemy. One must not forget in this connection that all payments are controlled by the Belgian-Luxembourg Exchange Institute which exercises strict supervision regarding trade with the enemy.

It seems difficult, however, due to the Treasury's consistent policy since the beginning of the war to try to persuade it to adopt a policy which does not follow the principles on which it bases its action.

A practical

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A practical proposal, taking into account, on the one hand, the policies adopted by the United States Treasury and inspired on the other hand by the Belgian organization, would consist in establishing a different system for assets belonging to an approved bank and assets belonging to other persons.

a) Assets of approved banks.

At the request of the Belgian-Luxembourg Exchange Institute transmitted in a necessary case by an appropriate representative residing in the United States, the Treasury would issue to an approved bank a general license covering all existing and future assets of this bank.

This general license would permit:

- 1) to freely make all payments within the United States in favor of resident, another recognized Belgian bank or the National Bank of Belgium;
- 2) to freely receive any payment made by a resident or by another recognized Belgian bank or by the National Bank of Belgium;
- 3) to make any payment on goods to be exported to Belgium or the Colony;
- 4) to negotiate on the American market any security included in the assets of the Bank (state funds, shares, debentures, etc.) under the same conditions as an American resident;
- 5) to export these same securities to Belgium.

Due to the very strict control of the approved banks, the Exchange Institute has complete power over the assets at their disposal and therefore the United States Treasury receives every guarantee, especially as regards trade with the enemy.

b) Assets

-13-

b) Assets other than those belonging to approved banks.

These assets would be subject to the system of the "general license No. 49"; however, this license would be completed by a provision by virtue of which the Treasury would authorize, without prior agreement and without interference from the Belgian-Luxembourg Exchange Institute, all transfers of assets (assets in account or titles) to the account of the National Bank of Belgium or to the account of an approved Belgian bank - in an American bank.

Other acts of disposal and in particular transfers in favor of residents or non-recognized banks would be subject to the regulations enacted by "general license No. 49".

This system would give all guarantees, as the assets held by the approved Belgian banks would automatically fall, by virtue of the Belgian organization, under the very strict control of the Belgian-Luxembourg Exchange Institute (National Bank).

B. Qualifications of the principals.

The United States Treasury is particularly concerned about the qualifications of the principals.

a) Natural persons:

By transmitting the first disposal order on the accounts of a natural person, the Exchange Institute (National Bank) will thus certify that this person is "politically irreproachable". It will transmit, on the other hand, the sample signature of this person, authenticated by the burgomaster of the commune of his residence and certified by the Institute.

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One must avoid the authentication procedure by the United States Consulate which would result in excessive expenses and useless complication. The signatures of the Institute will be authenticated by the Belgian authorities and transmitted to the American authorities through the Belgian Embassy in the United States.

b) Legal persons:

The procedure will be the same. However, the Institute will attach an attestation that such or such a person is qualified, in the eyes of Belgian law, to bind the company. On the occasion of issuing this attestation, the Institute will make sure, by production of the charters, the appendices to the Moniteur, certified copies of the deliberations of the Boards, according to the current procedure on the subject, of the identity and qualifications of the persons empowered to dispose of the assets of a company.

The United States Treasury should accept as sufficient proof in this respect the attestation furnished by the Institute under the signatures binding the latter.

In the two cases considered under a) and b) as many attestations would be furnished as there are depository establishments interested in the same operation and one or several separate attestations for the archives of the Treasury and of the Institute's delegate in the United States.

For each operation which requires its intervention, the Institute would certify that the two requirements provided for by the "general license No. 49" and listed above, are complied with.

Furthermore,

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Furthermore, the risk, seemingly feared by the Treasury, of seeing instructions given by persons who are not "politically irreproachable" or who are not entitled to represent the companies which they were qualified to bind on May 10, 1940, would be avoided.

c) Organization

If this procedure and these principles meet with the approval of the United States Treasury it would be advisable to set up without delay the organization which would permit their application.

As far as the Belgian-Luxembourg Exchange Institute is concerned, its services are organized and are able to operate under the conditions described above. The details of the relations between the Institute and the Treasury would remain to be determined.

After careful study, it seems that the best solution would be to represent the Institute in Washington or New York by a delegate who, on the one hand, would centralize all correspondence sent to or received from the Institute and on the other hand would maintain permanent and direct contact with the United States Treasury, the Federal Reserve Bank of New York and the depository banks.

His function would be to see to the execution of the transfer orders approved by the Institute, to obtain the necessary licenses and to settle any difficulties or application which may arise.

He would, furthermore, furnish the Institute with information regarding any question which might be of interest to it and in particular regarding the policy of the Treasury with respect to control of foreign assets.

He would

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He would also report to the Institute any abuses which he might note in the use of the permits issued by the latter and would make any suggestion which he might deem advisable with a view to making the transfer mechanism more flexible.

For each transfer request, the Institute would send to its delegate, the appropriate file containing all the necessary papers.

The delegate would enter into direct contact with the appropriate authorities and would see to the prompt issuance of the licenses requested.

He would inform the Institute regarding the execution of the transfers requested.

The procedure would be similar "mutatis mutandis" to the one described above with respect to the relations between the Institute and the Belgian Office of Management and Liquidation, for the release of Belgian assets in Great Britain.

D. Grand Duchy of Luxembourg.

As Belgium and the Grand Duchy have unified their exchange control, as the Belgian-Luxembourg Exchange Institute is the only one to exercise this control and as the exchange reserve is being used in the common interest of the two countries which form an economic unit, the procedure adopted for the release of Belgian assets should also be applied to Luxembourg assets. Belgian banks will appear on the list of banks authorized by the Institute - and will be treated like the other banks in all respects - especially as regards the control exercised by the Institute.

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The negotiations with the Treasury must therefore also bear on Luxembourg assets and must be carried out in agreement with the Minister of the Grand Duchy of Luxembourg who will receive the necessary instructions from his Government for this purpose.

E. Belgian Congo.

Nothing is changed in the system at present in force with respect to the assets of the nationals of the Colony.

The Bank of Belgian Congo continues to exercise its control over foreign exchange operations concerning the Colony and no negotiations are necessary in this respect.

Brussels, January 18, 1945.

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MAR 22 1945

My dear Mr. Secretary:

I am informed by Assistant Secretary McClellan that in accordance with a conference held at your suggestion in his office on March 9, a recommendation has been forwarded to the Joint Chiefs of Staff favorable to the proposal which I made in my letter to you on March 5th.

I wish to express my appreciation for your prompt and full cooperation in this matter.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The Honorable
Henry L. Stimson,
Secretary of War.

ISW/et: 3/20/45

WAR DEPARTMENT
WASHINGTON, D. C.

MAR 5 1945

The Honorable

The Secretary of the Treasury

Dear Mr. Secretary:

This is to acknowledge receipt of your letter of March 3, 1945 relating to the Treasury Department's responsibility for the planning and administration of the United States Government's war-time fiscal program in the Philippine Islands.

As your letter concerns a matter of urgency, I suggest that a conference be held on Friday, March 3, at 3:00 p.m., in the office of Mr. Clegg, Assistant Secretary of War, at which representatives of the War Department, Navy Department, Interior Department, and Foreign Economic Administration will attend.

If the above meets with your approval, will you indicate and from your office will be present and so notify Mr. Clegg.

Sincerely yours,

Henry L. Stimson

Secretary of War

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MAR 22 1945

Dear Mr. McGloy:

I am glad to receive your letter of March 14, 1945 informing me that the proposal which I made in my letter to Mr. Stimson of March 5th has been forwarded with favorable recommendation to the Joint Chiefs of Staff.

My men who attended the meeting held in your office on March 9th informed me of your complete support for my proposal. I need not say how much I appreciate your full cooperation in this matter.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable John J. McGloy,
Assistant Secretary of War,
War Department.

ISF/ers 3/20/45

WAR DEPARTMENT
OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON, D. C.

14 March 1945

The Honorable
The Secretary of Treasury
Dear Mr. Secretary:

This will supplement Secretary Stimson's letter to you of March 9, 1945. In accordance with a conference held in my office on March 9, your letter of March 5, has been forwarded to the Joint Chiefs of Staff with a recommendation favorable to your proposal.

Sincerely yours,

JOHN J. McCLELLY
Assistant Secretary of War

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 22, 1945

TO Secretary Morgenthau
FROM Currie A. Schmidt

Report on Recent Mission to Switzerland

You will recall that late in January you permitted me to accompany Mr. Currie to Switzerland as a member of the American delegation which was to participate, along with delegations from the British and French Governments, in certain economic negotiations. Because of Treasury representation on the Mission, Mr. Currie decided to make the implementation by Switzerland of Resolution VI of Bretton Woods one of the main objectives of the negotiations. You will recall that in Resolution VI, forty-four nations meeting at Bretton Woods called upon the governments of neutral countries to take the steps necessary to prevent our enemies from hiding their funds or disposing of looted property in neutral countries.

I am pleased to be able to report that the following results were achieved:

1. Switzerland Froze all German Assets.

On February 16, 1945, the Swiss Federal Government issued a decree freezing all assets in Switzerland of Germans and persons in German-occupied territory.

Significantly, Berlin, immediately after the issuance of this decree, recalled none the economic mission which it had sent to negotiate with the Swiss.

2. Switzerland Agreed to Take Other Freezing Action.

The Swiss Government agreed to tighten certain already existing freezing controls and, upon the receipt of instructions from us, to freeze the assets of Japan, Finland, Rumania, and Bulgaria. The freezing of Finland, Bulgaria, and Rumania was postponed in order that we might first clear such action with the Russians, inasmuch as the Russian Government did not participate in the negotiations. It was decided by us to postpone the freezing of Japan for reasons which I will be glad to explain orally.

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In this connection, the Swiss Government also declared in writing that it will "prevent the concealment, disposing of, or dissipation of assets of persons falling under the various blocking decrees issued by the Swiss Government in the past or which it will enact in the future or the execution of transactions for or on behalf of such persons designed to elude or evade such controls as are now in effect in Switzerland or hereafter established."

3. Swiss Black Markets in Dollars and Other Foreign Currencies Have been Eliminated.

The Swiss, by decree of March 3, 1945, have prohibited the importation, exportation, and all trading within Switzerland in the currency of any foreign country. This measure stops all black market dealings in dollars, sterling, francs, etc. and prevents Germans from continuing to sell in Switzerland currencies they have taken from occupied countries.

4. Swiss Stopped Purchasing Gold from Germany for Ordinary Financial Operations.

The Swiss Government has agreed to cease purchasing any more gold from Germany except to provide funds for German diplomatic expenses in Switzerland, care of German prisoners of war, and payments to the American Red Cross. As a result of this step, payments made by Germans to persons in Switzerland, including payments to stand-still creditors, will cease, since the Germans were acquiring Swiss francs with which to make such payments by the sale of gold.

In this connection you will be interested to learn that Mr. Weber, President of the Swiss National Bank, made the observation to me that he supposed we did not realize it, but by forcing the Swiss Government to cease purchasing gold from Germany we were effectively killing the Bank for International Settlements. He explained that the chief asset of the BIS was a claim against Germany and that the only way in which this claim was being liquidated was by the use of German gold.

5. Swiss Commitment to Take a Census of Foreign Assets Emaculates Swiss Banking Secrecy.

The Swiss Government agreed to take a census of all assets held in or through Switzerland by nationals of all countries now

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or hereafter subject to Swiss freezing decrees. This means a census of the assets of all European countries other than Sweden, Spain, Portugal, and Turkey. In agreeing to take this census, the Swiss recognize that for the first time in Swiss history all banks, lawyers, holding companies, etc., will be forced to disclose to the Swiss Government the names of the true owners of assets being held through Switzerland. This commitment was obtained with great difficulty and only because the American delegation was adamant.

6. Foundation Laid for Securing Swiss Cooperation in Postwar Allied Control of German External Assets.

The Swiss Government is now committed not to release German blocked assets without first consulting the postwar Allied Military Government of Germany. This result was achieved by pressing the Swiss to agree not to relax any of its freezing controls without consulting the government of the blocked country. In addition to its importance in the German program, the commitment will be very helpful to the postwar financial progress of the liberated countries.

7. Switzerland to Assist in Restoration of Looted Property.

The Swiss Government made a general commitment on its own behalf and that of the Principality of Lichtenstein to prevent the territory of Switzerland and Lichtenstein from being used "for the disposal, concealment, or reception of assets which may have been taken illegally or under duress during the war" and that "every facility will be given to the dispossessed owners to claim in Switzerland and Lichtenstein their assets found there."

You will be interested to know that in return for the foregoing, we gave nothing to the Swiss.

I should like to emphasize that this achievement was made possible only because Mr. Currie was willing to throw his full weight behind this aspect of the negotiations and to take the position that action by the Swiss in this sphere was a sine qua non of any trade agreement between Switzerland and the Allied countries represented.

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I think you will also be interested to know that the power of the Treasury Department is feared and respected in Switzerland not only within the Government but also in Swiss financial circles. In this connection, Minister Stucki, number-two man in the Swiss Foreign Office who is very influential in Switzerland and played an important behind-the-scenes role in the negotiations, asked me specially to convey to you his best regards and his expression of highest esteem.

I am preparing a more detailed report on the entire negotiations, not only with the Swiss but also with the British and the French, which I shall forward to you in the near future.

Chris A. Schmidt

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



OFFICE OF THE
EXECUTIVE DIRECTOR

MAR 22 1945

My dear Mr. Secretary:

I am pleased to send you herewith a copy
of the report of the War Refugee Board for the week
of March 5 to 10, 1945.

Very truly yours,

William O'Dwyer
William O'Dwyer
Executive Director

The Honorable,

The Secretary of the Treasury.

Enclosure.

Report of the War Refugee Board
for the Week of March 5 to 10, 1945

EVACUATION AND RELIEF OPERATIONS FROM SWITZERLAND

Plans developed in consultation with other government agencies and international organizations are proceeding toward the implementation of the broad program approved at the Board meeting on February 20 for relief and rescue operations. Representative McClelland has been authorized to obtain from any possible sources the necessary transportation equipment, including trucking facilities, gasoline, tires, oil, etc., to be made available to the International Red Cross to carry relief to physically unfit unassimilated detainees in enemy territory and to evacuate such detainees on return trips to Switzerland. The possibility of also using other trucks, available to InterCross in connection with the delivery of prisoner-of-war relief, for evacuation of such refugees on return trips from Germany is also being explored. A further contribution to the program is the agreement of the United Nations Relief and Rehabilitation Administration to make food supplies available, at the request of the War Refugee Board, to the International Red Cross for the maintenance in Switzerland of refugees who are evacuated from Germany and who are in transit to UNRRA-controlled camps. Representative Katiki, who recently returned from his assignment in Turkey, is expected to proceed to Switzerland shortly to assist Representative McClelland in the execution of this project.

According to a report from Representative McClelland, it was expected that the President of the International Red Cross would meet this week with German officials for conversations and that discussions would include the question of relief to all categories of Schutzhaeflinge and prisoners of war and clarification of the question of whether or not the permission recently granted InterCross by the Germans for the entry of as many trucks as InterCross wishes for prisoner-of-war relief also includes trucks carrying relief to Schutzhaeflinge.

We were notified by our Embassy in London that our proposal for the shipment of an additional 300,000 three-kilogram parcels of foodstuffs has been approved by the Relief Subcommittee for Blockade authorization provided the International Red Cross will accept the responsibility for distribution of such parcels and that these consignments do not prejudice distribution and transportation of parcels for prisoners of war.

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Dollar Currency Held by Refugees

The Treasury Department and the Department of State have considered with the Board the problem of the present currency controls as they affect refugees who surrender United States dollar currency upon their entry into Switzerland. In view of and solely because of the humanitarian considerations involved, our Legation in Bern was informed that the Treasury Department is prepared, until further notice, to countenance the purchase by a designated Swiss bank, under specified conditions, of amounts up to \$100 per person per month. The Legation was requested to so inform the Swiss unless our Embassy in London, which has been advised of this decision and requested to cable its comments or agreement to Bern, feels that for any reason the proposed procedure is objectionable in any way.

Proposal for Evacuation of Dutch Jews

We were recently advised of a proposal which has been submitted to the Dutch Government involving the evacuation to Switzerland of 1,500 Dutch Jews now held in German camps at Theresienstadt and Bergen Belsen. The views of the British and United States Governments having been requested concerning certain aspects of the proposal, a cable was sent to the Embassy in London informing it of this Government's approval of the continuation of the negotiations under the conditions and provisions suggested by the Embassy and MEW.

CONDITIONS IN GERMAN CONCENTRATION CAMPS

In response to our recent inquiry as to whether Schutzhaeftlinge include persons actively engaged in labor in Germany, Representative McClelland advised us that the best information available indicates that most Schutzhaeftlinge who are capable of physical labor are employed by the Nazis at tasks of varying importance to Germany's war effort, although no statistics are available as to the numbers actually engaged in essential "war work" such as the manufacture of munitions or war material. It is known, however, that large numbers of Schutzhaeftlinge literally have been made slaves for the performance of such heavy physical labor as building roads, clearing debris, and digging anti-tank ditches. At Ravensbrück, the women work at reconditioning used clothing shipped from extermination camps in Poland. Jewish deportees at Theresienstadt sew German army uniforms and make heavy wooden cases for machinery, etc., according to reports of evacuees from that camp who recently arrived in Switzerland. Many Schutzhaeftlinge who were evacuated by the Germans from camps in the east are now inactive in terribly crowded assembly camps.

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The categories of Schutzhaeftlinge to whom International Red Cross relief parcels may be sent comprise Jews of various nationalities. McClelland reported that present plans of Intercross are to deliver parcels, insofar as is practically possible, only to those who are ill and exhausted.

According to a report which reached us from a private source, there are now a large number of prisoners of war at Theresienstadt.

EVACUATIONS FROM SWITZERLAND

Representative McClelland informed appropriate military authorities that the refugees to be removed from Swiss territory at this time include the entire group of 1,672 Hungarian Jewish evacuees from Bergen Belsen and all of the group of 1,210 evacuees from Theresienstadt except some 440 who are of Dutch nationality and who it is indicated are to remain temporarily in Switzerland pending the decision of the Dutch Government with respect to their ultimate destination. In view of the readiness of the Swiss to furnish trains to carry the refugees to a French port of embarkation, their removal from Switzerland can take place as soon as maritime transport is available.

In this connection, the United Nations Relief and Rehabilitation Administration furnished the Board with information concerning available and potential facilities for the reception and care of refugees and outlined suggestions for improving notification and processing procedures.

REPORT FROM HUNGARY

Minister Johnson sent us a summary of a newspaper account of Swedish rescue and relief activities in Hungary given by a Hungarian Jew who recently escaped to Sweden. Tribute was paid to Special Attache Wallenberg, whose courageous and tireless efforts in behalf of Jews were vividly described. Demonstrating the zeal and disregard of his own personal safety which characterized Wallenberg's pursuit of these activities, it was related that in one instance he defied an armed patrol, which had entered an area where some 5,000 Jews were quartered in so-called Swedish houses to remove some of them to labor camps, by informing them that they were trespassing upon Swedish territory, that they could not trespass further without first shooting him, and that

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none of the inhabitants of the area should leave as long as he lived. In another instance, when he was informed that 11 persons holding Swedish passports had been arrested by the Gestapo and loaded on a Vienna-bound labor train, he arrived at the station after the train had departed and followed it until it stopped at a station just short of the German border, where he managed to remove the 11 persons.

William O'Dwyer
William O'Dwyer
Executive Director

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
 TO: Secretary of State, Washington
 DATED: March 22, 1945
 NUM. EN: 1727

CONFIDENTIAL

US URGENT.

McClelland sends the following for O'Dwyer, WFB, and the Department.

I refer herewith to the Legation's telegrams of March 8 and March 21, Nos. 1481 and 1687 respectively.

It has unfortunately not been possible for me to report sooner on results of recent discussions with German authorities by ICRC President Burckhardt, because of illness.

Burckhardt first met with Kaltenbrunner of SS on March 12 in the Vorarlberg region between Swiss border and Innsbruck. A personal letter was sent by Himmler stating that he was prevented by military duties from being present and delegating to Kaltenbrunner full power.

On March 13 conversations were continued in Kreuzlingen, Switzerland, with Kaltenbrunner plus Berber, Director of Foreign Political Institute of Foreign Ministry, and Windecke of German PD, and on March 14 with Berber alone in Zurich. For some months now Berber has been in Switzerland and appears to be one of Ribbentrop's special contact men.

The main concession obtained from SS, as Burckhardt explained

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CONTROL

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 (O'Dwyer)

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the matters, is permission for delegates of ICRC to be stationed in all major camps for both "Schutzhäftlinge" (SH) and POWs to supervise personally distributions of relief. SS laid down one condition which was that such representatives of ICRC not circulate particularly back and forth to Switzerland but that they remain in these camps until the end of the war. Since certain numbers of SH are being worked in War Industries, this restriction is presumably on the grounds of military security.

On the 21st of March, Burckhardt of ICRC reported to me that the choice of appropriate delegates for these camp posts was being actively pursued by the committee, and they will be despatched as rapidly as possible into Germany.

There is willingness on the part of VG to allow deliveries of relief of all types by truck or other means of transport to SH irrespective of nationality or race. It was requested by SS that any such relief distribution should be conducted discreetly, especially any relief given to marching columns along the roads, in view of difficulties of food supply situation for the Germans themselves.

With respect to evacuation of SH, final detailed authorization covering specific persons whom ICRC will be permitted to evacuate has not been obtained from Berlin as yet, although the SS agreed in principle to allow the exit of women, children, elderly and ill people irrespective of religion or race. An

ANSWER

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answer is expected by ICRC by the 26th or 27th of March.

It was suggested by Burckhardt of ICRC that, in view of danger of approaching front, inmates of women's concentration camp of Ravensbrueck be among the first evacuated. This camp is located on the main highway to Neustrelitz approximately 70 kilometers north of Berlin and contains at least 30,000 women of principally Hungarian (Jewish), Polish, Norwegian, Belgian, Czech, Dutch, French, Russian and other nationalities, and it is definitely one of the bad camps.

It was stated by the Germans that transportation for any such evacuations would not be supplied by them. Consequently, it is planned by ICRC to utilize returning POW relief trucks, although this will be a difficult and inadequate method of effecting evacuation, especially persons who are ill.

The use by ICRC for evacuees of parcel ships returning from Luebeck to Goteborg was not favored by the Germans who stated that these waters were thickly mined and that they did not wish to be held responsible for sinking any ships loaded with evacuees.

The possibility of sending sanitary blocked train to Ravensbrueck from Switzerland if and when final authorization for the evacuation of this camp is given by the Germans, is still being discussed with the Swiss authorities by ICRC, although the Swiss are both reluctant to release such transport equipment and doubt that train could get through

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under the present chaotic state of German railroads which are being constantly bombed.

With respect to the question of evacuation of SH in general an attempt was made by Kaltenbrunner to create the impression that SS had really been only an executive organ throughout the past years of mass arrests and deportation of civilians to Germany from occupied countries and SS would be willing to allow useless SH to leave Germany now that food and housing situation was growing difficult within Germany.

It appears that Burckhardt of ICRC is working on some special scheme for evacuation of French SH who are to be exchanged for German civilians held by the French (I understand mainly Baltic Germans taken in Alsace region by the French). It is reported that French authorities are prepared to furnish 100 trucks to carry out this plan.

As soon as information regarding identity of first groups of SH whose evacuation will be permitted by the Germans is obtained from ICRC, I will report to WRS promptly.

In summing up, War Refugee Board can contribute to this double relief and evacuation program most effectively by (1) obtaining as many tires and trucks as possible, and (2) organizing and placing into operation mechanism for evacuating from Switzerland such SH groups who may arrive here and who are non-repatriable in Europe for the time being.

HARRISON

DC/L:IDS:AN
3-23-46

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

Please deliver the following message to Gerhard Hiegner, 37 Quai Wilson, Geneva, from Arieh Tartakower of World Jewish Congress:

QUOTE YOURS MARCH 8 HAVE APPROACHED DEPARTMENT OF WAR AND WAR REFUGEE BOARD CONCERNING TRUCKS FOR RELIEF DETAINED CIVILIANS ALL EFFORTS ARE BEING MADE COMMUNICATING ALSO SWEDISH RED CROSS. UNQUOTE

THIS IS WERN HERN CABLE NO. 472

5:15 p.m.
March 22, 1945

160

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

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

QUOTE ADOLPH SCHAAAP OF PHILADELPHIA BROTHER OF DR. LOUIS SCHAAAP. LATTERS WIFE JOHANNA SCHAAAP AND MOTHER IDA SCHAAAP RECENTLY ARRIVED SWITZERLAND FROM THURSGINGSTADT, ANXIOUS LEARN ADDRESS CAMP SO THAT HE CAN SEND THEM ASSISTANCE. PLEASE CABLE US REPORT. UNQUOTE

THIS IS WERN HERN CABLE NO. 474

5:15 p.m.
March 22, 1945

161

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

Please deliver the following message to Isaac Kubowitzki,
7 Rue Gaucheret, Brussels, from Arish Tartakower of World Jewish Congress:

QUOTE AM INFORMED THAT CONSIDERABLE NUMBER OF JEWISH
DISPOMTES FROM SALONIKA WERE FOUND IN LIBERATED AREA
OF NETHERLAND PLEASE CABLE WORTHEN INFORMATION COO-
RDOT TRY SECURE LIST OF THOSE PERSONS AND INFORMATION
ABOUT THEIR PRESENT SITUATION. UNQUOTE

5:15 p.m.
March 22, 1945

162

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

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

QUOTE INFORMED THAT CERTAIN CATEGORIES FRENCH NATIONALS BEING
REPATRIATED FROM GERMANY TO FRANCE PLEASE COMMUNICATE INTER-
BUDGROSS AND JARHLUM TRY HAVE AS MANY JEWS INCLUDED AS POSSIBLE
CABLE RESULTS. UNQUOTE

THIS IS WRD BERN CABLE NO. 470

5:15 p.m.
March 22, 1945

163

CABLE TO AMERICAN LEGATION, STOCKHOLM, FOR CLEN FROM WAR REFUGEE BOARD

Please deliver the following message to Hillel Storch, Postbox
7306, Stockholm, from Arish Tartakover of World Jewish Congress:

QUOTE UNDERSTAND SWEDISH REDUCROSS APPROACHED BY INTERREDUCROSS
CONCERNING SENDING SWEDISH BOAT TO LUNDEN FOR EVACUATION
CIVILIANS IN NORTHERN AREAS CORDANT PLEASE INTERVENE IMMEDIATELY
WITH THEM CABLE RESULTS. UNQUOTE

THIS IS WED STOCKHOLM NO. 337

5:15 p.m.
March 28, 1945

164

CABLE TO AMERICAN LEGATION, GENE, FOR WOODLELAND, FROM THE WAR REFUGEE BOARD

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

QUOTE PLEASE INVESTIGATE WITH MR. STIEBEL, GOLDAUER STR. 62,
ZURICH, WHEREABOUTS HILTI KARP-MAYER AND HIS FAMILY LAST KNOWN
ADDRESS THURSDAY. UNQUOTE

THIS IS WED GENE NO. 469

5:15 p.m.
March 28, 1945

165

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

Please deliver the following message to Isaac Sternbach from Rebekah
Kutler and Kalmanowitz of Vaad Hahatzala Emergency Committee:

QUOTE SEND MORE FOOD PARCELS TO BERGHE-SILENT AND OTHER CAMPS
THROUGH INTERNATIONAL RED CROSS AND OTHER MEANS. INTERNESS
STARVING FOR HUNGER IN ALL CAMPS. USE EVERY EFFORT TO RESCUE
MORE PEOPLE. CONTACT INTERNATIONAL RED CROSS AND ROCHELLELAND
CONCERNING TRANSPORTATION EQUIPMENT AND PERMITS FOR THE USE OF
EMPTY TRUCKS RETURNING TO SWITZERLAND FOR EVACUATION INTERNEES.
WORKING ABOUT THE REPORT. EVERY EFFORT SHOULD BE MADE TO STOP
EXTERMINATIONS AND TO RESCUE. EVERY HUNTER COUNTS. HAVE YOU
ANY INFORMATION CONCERNING 800 CHILDREN BUDAPEST WHO RECEIVED
SPANISH VISAS FOR TANZIERS CONTACT INTERNATIONAL RED CROSS.
UNQUOTE

THIS IS WRB BERN CABLE NO. 473

5:15 p.m.
March 22, 1945

166

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

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

QUOTE PLEASE DO UTMOST HELP FOLLOWING: PROF. DAVID COHEN,
THERRINGSTADT, FORMER HEAD JEWISH COUNCIL HOLLAND AND FAMILY;
MR. RUI COHEN FOUNDER MICHAELITZ IN HOLLAND AND FAMILY, LAST
KNOWN ADDRESS BERNIN SILBERT; HANS COBLER AND FAMILY, BERNIN SILBERT.
UNQUOTE.

THIS IS WRB CABLE NO. 471

5:15 p.m.
March 22, 1945

12"

PLAIN

Bern

Dated March 22, 1945

Rec'd 9:25 a.m., 23rd

Secretary of State,

Washington.

1723, Twenty-second.

FOR MR FROM MCCLELLAND.

Please deliver following message from Frau Edenberg to Robinson of American Christian Committee.

"Voluntary agencies Switzerland are now able through intermediary of French Embassy at Bern to buy Swiss credits in France for relief work at rate of 3.75 Swiss francs per hundred French. We transmitted from Swiss and Swedish funds 300,000 French francs for refugee Chaplain but these funds insufficient procure monthly 700,000 needed by Teureville and Cimade for current refugee expenditures. Suggest you request exceptional permission to transmit about \$40,000 through our channel described above. Our goods for France are shipped through Inter-cross which submits shipments to United States Legation for approval. We now need your contribution for refugees in Shanghai so please add \$1,000 to your monthly subsidy. Kindly inform Richard Rosenberg, 790 Riverside Drive, New York City, 22, Wrika and children all safe as of January 4th. Wrika was working in a hospital where she wishes to remain." 22.65

HANFIDON

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BK-55

PLAIN

Bern

Dated March 22, 1945

Rec'd 11:31 p.m.

Secretary of State,

Washington.

1708, Twenty-second.

FOR MR FROM MCCLELLAND.

Please deliver following message from Field to Charles Joy Unitarian Service Committee, Boston.

"Regarding Polish Mission agreement in principle assured but individual visas still awaited from Warsaw. Pedrichowski has sent further telegram urging quick action and expects answer within two weeks. Meantime technical preparations proceeding both here and in Paris. Pedrichowski and his advisors Paris consider racial composition delegation unimportant but Polish advisors here agree wisdom including non-Jews Mission now composed two delegations one representing JEC and one other representing Uniserve under direction Dr. Rosenbluth representing both. Have added our delegation capable non-Jewish administrator now in charge technical preparations Paris also non-Jewish physician with medical-social experience in urban and rural districts Poland. Have discussed transit problems with Yugoslav representatives France who promise all facilities including Yugoslav visas and transportation Paris Warsaw by plane. Lists of missing persons being prepared here and Paris for research Poland equipment and taken supplies being assembled here. Mission expects take about four tons since all advice must not arrive empty handed. Urgently need additional funds, can you send about \$5,000 more besides full personal equipment. Intend furnish Uniserve delegations with standard instrumentation at least one Polyclinic and several dental cabinets. Principal task our delegation will be study situation needs concerning nourishment especially infants and children housing clothing working and hygienic conditions morbidity especially malnutrition epidemics tuberculosis also possibilities selfhelp providing cross section social and health situation area investigated with recommendations

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March 22, from Bern

concerning relief action personnel organization, etc. Supplies for future work must come largely from American since possibilities here increasingly limited. Can you prepare ship directly medicines tentics surgical instruments dental supplies clothing shoes blankets. Our initiative for Relief aid has resulted wide public interest now being coordinated through broad committee including delegates Swiss and International organizations desiring aid Poland including myself secretary of new committee Klein Haus furnished and paid by Unicef special research section for missing persons. Report of inaugural meeting in leading newspaper specially mentioned Unicef's role new committee not designed absorb separate entities but merely as coordinating center and clearing house creation of committee reported to Warsaw and approval received does not effect status our mission which remains one of first authorized relief groups awaiting departure for Poland. Regarding Hungary have already sent Hungarian Dr. Tibor Hefmann from France with mission sound out possibilities and send report nearest. Formerly Hefmann was member of Hungarian National Liberation movement in Switzerland, his wife is now member second Zurich course and will be later available for work Hungary." 29.65

HARRISON

WFO

Rome

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Dated March 22, 1945

Rec'd 10:30 a.m.

Secretary of State

Washington

768, March 22, 10 a.m.

TO NOSES LEAVITT JDC FROM JOSEPH SCHWARTZ.

18. Group of 900 refugees departing for Palestine have deposited 12 million lire for which we shall pay out \$120,000 in Palestine. Fare to Palestine is 14 pounds for third class passage with children between three and twelve paying half fare and under 3 gratis. Refugee group has paid in 500,000 lire in cash for payment passages and another 500,000 will be probably collected from relatives here. Will furnish you all details as soon as available and will also advise where payment for transport is to be made.

KINK

WFO

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CABLE TO AMERICAN CONSULATE GENERAL, JERUSALEM, FROM WAR REFUGEE BOARD

Please deliver the following message to Joint Distribution Committee
Jerusalem from M. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE PLEASE ASK SOGOMEDIN INVESTIGATE SITUATION FAMILY LURA
ADRYAN RESIDING JASIONOWKA POW BIALYSTOK UL. RYNOWA 4 POLAND
AND EXTEND ALL POSSIBLE AID. CABLE US REPORT. UNQUOTE

5:15 p.m.
March 22, 1945

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
 TO: Secretary of State, Washington
 DATED: March 22, 1945
 NUMBER: 1727

CONFIDENTIAL

US Urgent.

McClendon sends the following for Dwyer, GEB, and the Department.

I refer herewith to the Legation's telegram of March 8 and March 21, Nos. 1481 and 1687 respectively.

It has unfortunately not been possible for me to report sooner on results of recent discussions with German authorities by ICRC President Burckhardt, because of illness.

Burckhardt first met with Kaltenbrunner of SS on March 12 in the Vorarlberg region between Swiss border and Innsbruck. A personal letter was sent by Himmler stating that he was prevented by military duties from being present and delegating to Kaltenbrunner full power.

On March 13 conversations were continued in Kreuzlingen, Switzerland, with Kaltenbrunner plus Berber, Director of Foreign Political Institute of Foreign Ministry, and Winkler of German FD, and on March 14 with Berber alone in Zurich. For some months now Berber has been in Switzerland and appears to be one of Ribbentrop's special contact men.

The main concession obtained from SS, as Burckhardt explained the matters, is permission for delegates of ICRC to be stationed in all major camps for both "Schutzhaftlinge" (Germans) and POWs to supervise personally distributions of relief. SS laid down one condition which was that such representatives of ICRC not circulate particularly back and forth to Switzerland but that they remain in these camps until the end of the war. Since certain numbers of SS are being worked in war industries, this restriction is presumably on the grounds of military security.

On the 21st of March, Burckhardt of ICRC reported to me that the choice of appropriate delegates for these camp posts was being actively pursued by the committee, and they will be despatched as rapidly as possible into Germany.

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There is willingness on the part of GO to allow deliveries of relief of all types by truck or other means of transport to SS irrespective of nationality or race. It was requested by SS that any such relief distribution should be conducted discreetly, especially any relief given to marching columns along the roads, in view of difficulties of food supply situation for the Germans themselves.

With respect to evacuation of SS, final detailed authorization covering specific persons whom ICRC will be permitted to evacuate has not been obtained from Berlin as yet, although the SS agreed in principle to allow the exit of women, children, elderly and ill people irrespective of religion or race. An answer is expected by ICRC by the 26th or 27th of March.

It was suggested by Burckhardt of ICRC that, in view of danger of approaching front, inmates of women's concentration camp of Ravensbrueck be among the first evacuated. This camp is located on the main highway to Konigsberg approximately 70 kilometers north of Berlin and contains at least 30,000 women of principally Hungarian (Jewish), Polish, Norwegian, Belgian, Czech, Dutch, French, Russian and other nationalities, and it is definitely one of the bad camps.

It was stated by the Germans that transportation for any such evacuations would not be supplied by them. Consequently, it is planned by ICRC to utilize returning POW relief trucks, although this will be a difficult and inadequate method of effecting evacuation, especially persons who are ill.

The use by ICRC for evacuees of parcel ships returning from Luebeck to Gotenborg was not favored by the Germans who stated that these waters were thickly mined and that they did not wish to be held responsible for sinking any ships loaded with evacuees.

The possibility of sending sanitary blocked train to Ravensbrueck from Switzerland if and when final authorization for the evacuation of this camp is given by the Germans, is still being discussed with the Swiss authorities by ICRC, although the Swiss are both reluctant to release such transport equipment and doubt that train could get through under the present chaotic state of German railroads which are being constantly bombed.

With respect to the question of evacuation of SS in general an attempt was made by Kaltenbrunner to create the impression that SS had really been only an executive organ throughout the past years of mass arrests and deportation of civilians to Germany from occupied countries and SS would be willing to allow useless SS to leave Germany now that food and housing situation was growing difficult within Germany.

It appears that Burckhardt of ICRC is working on some special scheme for evacuation of French SS who are to be exchanged for German civilians held by the French (I understand mainly Baltic Germans).

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mainly Baltic Germans taken in Alsace region by the French). It is reported that French authorities are prepared to furnish 100 trucks to carry out this plan.

As soon as information regarding identity of first groups of RG whose evacuation will be permitted by the Germans is obtained from ICRC, I will report to MEM promptly.

In summing up, War Refugee Board can contribute to this double relief and evacuation program most effectively by (1) obtaining as many tires and trucks as possible, and (2) organizing and placing into operation mechanism for evacuating from Switzerland such RG groups who may arrive here and who are non-repatriable in Europe for the time being.

HARRISON

DC/L:IDB:AN
3-23-45

PANAPHANE OF TELUGUHAN RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington
DATED: March 22, 1945 (Received March 23)
NUMBER: 2965

CONFIDENTIAL

The following message was sent to Stockholm for the Legation and Olsen as No. 270 and is repeated to the Department for WRS, FRA and the Department.

Cable March 17, No. 2070 from WRS, FRA and the Department recommending an expansion in parcel program from Sweden for persons detained in Bergen Belsen has been received by the Embassy. It is proposed to ship 200,000 kronor worth of food, 300,000 kronor medical supplies and 500,000 kronor clothing. It is not clear to the Embassy how much of this will originate in the United States and how much in Sweden but it is assumed that at least the food is an indigenous product of Sweden. Furthermore MEM and the Embassy are not clear as to the relations i.e. between this proposal and request for 100 tons of feedstuffs which the British Legation referred to MEM (OO 183 of March 4) and JRC application 7/921 for 15 tons of feedstuffs which the British Legation also referred.

It is stated in the cable from the Department that the distribution would be handled in the same way as the existing scheme for food parcels. It is understood by the Embassy from references cited that the Department intends that the parcels would be sent on the responsibility of some reliable independent organization such as Swedish Red Cross or Inter-redcross that receipts would be requested and spot checked and that later shipments would depend on early lets being distributed satisfactorily. From information MEM received from British Legation (reporting to the Department in the Embassy's despatch of March 14, No. 21671) the Embassy understands that the most customary method of forwarding parcels recently has been by commercial channels i.e., J. Neethaar and A/S Hanksenpenist. It is felt by both MEM and WRS as indicated in the Embassy's despatch, that some independent organization such as Swedish Red Cross or Inter-redcross should be prepared to take the responsibility for any scheme to which approval is given. Legation's relief sub-committee is prepared to approve further shipments provided this condition can be met and some check on receipts can be made. Information from the Department as to whether it concurs in the opinion that some reliable independent body should participate and information from Stockholm regarding the total amount of further authorizations now requested would be appreciated by MEM before giving final approval.

WIRANT

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