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War Savings Bonds

See Financing, Government

January 8, 1945  
9:30 a.m.

GROUP

- Present: Mr. D. W. Bell
- Mr. Gaston
- Mr. O'Connell
- Mr. White
- Mr. Luxford
- Mr. C. S. Bell
- Mr. Pehle
- Mr. DuBois
- Mr. Haas
- Mr. Blough
- Mr. Coyne
- Mrs. Klotz

H.M.JR: While I am waiting--Charlie, on these badges.

MR. C.S. BELL: You want to discontinue showing passes as they come in and out?

MRS. KLOTZ: He means Treasury passes we use to come in and out.

H.M.JR: They would not be needed except after office hours.

MR. LUXFORD: We have always had passes of one form or another.

MR. GASTON: Just if you are called on to show them--just for identification.

MR. O'CONNELL: You need them in other buildings. Army and Navy have them.

MR. C.S. BELL: It facilitates things.

H.M.JR: My suggestion was to put Treasury back to where it was pre-Pearl Harbor with respect to coming



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in and out of Treasury. If you have a Treasury pass-- if I wanted to know about War Bonds I just walk in and nobody asks me.

MR. COYNE: We want the public, Mr. Secretary.

H.M.JR: I see. I don't know the significance of the Treasury pass. The people can still have them if they want to come in after 5:30.

MR. C.S. BELL: Yes, sir. It serves a good purpose then.

H.M.JR: But visitors can come and go.

MR. C.S. BELL: Visitors and our own employees during working hours.

H.M.JR: Let Bauck go back to Secret Service.

Now, the principal thing I wanted to talk about this morning, and this is extra confidential--I warned Danny Bell and Mr. Joe O'Connell who almost took my head off last night.

MR. O'CONNELL: That was the third call I had yesterday. There is another Joe O'Connell in Silver Spring. The first one was six o'clock yesterday morning. I was quite prepared for a wrong number.

H.M.JR: I called up Joe O'Connell and he said, "Huh?" I said, "This is your boss", and he said, "Yes." I said, "What's the matter with you, Joe?" he said, "You know". I said, "I better call you back." He said, "You better not." (Laughter)

MR. O'CONNELL: It wasn't quite that bad.

MR. LUXFORD: Didn't you get any wine for Christmas from the Soviet Embassy?

MR. O'CONNELL: No.

MR. LUXFORD: You better check up on the other Joe O'Connell then.

H.M.JR: Poor Mrs. O'Connell.

MR. GASTON: You say that is not quite accurate?

MR. O'CONNELL: Not quite, but substantially correct. I was confident it was the wrong number. I am not used to having the Secretary call up and say, "Hello, Joe, this is your boss." I was completely prepared for the call being for someone else.

H.M.JR: "Is this the Secretary of the Treasury?" He could hardly believe it. Anyway--

MRS. KLOTZ: When did you get back?

H.M.JR: We took the six-thirty train. It never left the station until seven.

MRS. KLOTZ: We took that train last night.

H.M.JR: It didn't lose any time after it left there, but if anybody wants to see a good show, Mrs. Morgenthau and I went to see I think it's "Sing Out Sweet Land." If anybody likes American ballads, it is very beautiful.

Well, I wanted to do something about the money in circulation, and I would like to do it this week. The reason I want to do it this week is that I think the American public is taking various moves the President has made with good grace, such as horse racing, this about 4-F's, and so forth. If we say to the American public, "If you have been hoarding any large denomination bills, if you would declare them under income tax before the fifteenth of January, you will save yourself a lot of trouble." I should like to do it this week in order to get the benefit of it in the fourth quarterly payment, so that they can still declare them. Give them a report on their income tax, but give them a reasonable time to turn their money in.

Anybody who has been hoarding money--through use of the press or radio, as far as income tax is concerned--would certainly know about it if we announce it, and if

he subsequently finds he has a lot of money he didn't declare, it is just his hard luck, and nobody is going to feel sorry for him. If a man is hoarding five thousand or fifty thousand dollars in cash and keeps from recording it and claims he didn't hear it over the radio, it is just his bad luck.

Now, my thought is that we should only have twenty dollar bills in circulation. That is ample for anybody. No one can carry very many of those in his pocket without having to show a bulge. I called up Chester Bowles last night and talked to him in strictest confidence. He said it would be a great help to him to have examples, saying how they do it, and I just don't want to sit in this chair feeling I am missing a beat on the inflation front. I am also looking forward to your Seventh War Loan Drive.

MR. LUXFORD: There are going to be some juicy taxes, too.

H.M.JR: There are if we do it this week. No, it's got to be not later than the eleventh, and I don't see why-we are not going to confiscate the money. I don't care how long we give them to turn the money in, but this suggestion of Bell's to wait until we print some new money to take the place of the old--that works too slowly.

MR. DuBOIS: There has been a considerable amount of work done--

MR. O'CONNELL: We talked about it a number of times. Frankly, until you mentioned it now, I hadn't thought it was either possible or desirable to attempt to tie the declaration on turning in of the currency to an income tax payment or income tax date, because there is no necessary connection between hoarding of the given amount of money and an income tax liability.

I might have ten thousand dollars in one hundred dollar bills, and I might or might not have underpaid any income tax. Certainly, my income does not necessarily involve that amount of money.

H.M.JR: I was told that the black market operators who are making the profits keep their money in cash and don't report it.

MR. O'CONNELL: There is no question about that.

H.M.JR: Now, a friend of mine went into a jewelry store looking for jewelry for his daughter. He saw a pretty piece and said, "How much is this?" The man said, "Thirty-five thousand dollars." He said, "Nobody is going to buy that." He said, "You would be surprised how many people would buy that."

Now, certainly, nobody who is legitimately reporting his income tax is going to say he can buy thirty-five thousand dollars worth of jewelry.

MR. GASTON: There is evidence in the ads you read in the papers--the high-priced stuff they are advertising.

MR. D.W.BELL: You find that in your fur trade. They tell me you can go down here and buy a fur coat and pick your price, your own price within reason of their price, and eliminate the tax and everything.

MR. DuBOIS: We have been working on a program for several months involving calling in all United States dollars all over the world. That has various functions in addition to the black market. The first is the problem of the black market. The second is tax evasion. The third, which is a related function, is the fact that there is considerable evidence that the Axis underground may be hoarding big United States dollar bills which would be another function of driving those out of their hands. So, we have been working on it, and I think Joe is pretty familiar with it, and I think you have seen it, Mr. Bell.

MR. D.W.BELL: I have been working with Mr. Haas.

MR. DuBOIS: It is a comprehensive program of calling in all over the world all United States dollar bills above twenty dollars.

MR. LUXFORD: There is a need for speed if you are really trying to get at the tax evader.

H.M.JR: You will have to do it this week if you are going to have the people get the benefit of the 1944 profits because they can still put in a revised return on the fifteenth.

MR. LUXFORD: If you are going to get a tax evader, he will have to identify himself when he pays the bills.

H.M.JR: Well, he wouldn't if he declared it as a profit and then turned in the bills between now and--

MR. LUXFORD: That's all right.

H.M.JR: ...the fifteenth, but if he comes in after the fifteenth--I am just thinking now--I don't think you will make him identify them if he turned them in between now and the fifteenth, but if after the fifteenth he comes in with a bunch of bills, then, if we have a legal right to, he would have to say where he got them and why.

My own feeling is that as of today, I would like to say anybody can turn this stuff in on or before the fifteenth if he declares them on his income tax. After the fifteenth we are going to make him say why.

MR. LUXFORD: That is the best way to get currency in.

MR. GASTON: I don't know that I understand what you mean by turning in on income tax. Supposing a man has a large amount of large bills in his storage box. How would he report those for income tax? Suppose it doesn't represent income--just money saved?

H.M.JR: He can say so.

MR. GASTON: Is it your expectation that he will declare--the mere fact that he has to turn those in will cause him to declare additional income he hasn't heretofore

declared?

H.M.JR: Supposing I am a black market operator and I, during 1944, have made ten thousand dollars, and the ten thousand dollar profit I have got is all in big bills, but I haven't shown them on my income tax?

(Mr. Pehle enters conference.)

MR. GASTON: Shown the profit?

H.M.JR: I haven't shown the profit. The Secretary of the Treasury announces that if anybody will turn in these bills and will show that he has declared this profit on his income tax between now and the fifteenth, fine. If after the fifteenth he wants to come in with a lot of bills, he has to give a bill of particulars as to why he had them. If they are legitimate, all right. If they are legitimate, fine. If we have the legal authority to make him say, "I have had them for five years for this reason," or "My business requires me to carry a lot of money," or for any one of a thousand perfectly proper reasons--

(Mr. Haas enters conference.)

MR. O'CONNELL: The program the way we attempted to work it out a couple weeks ago--and we had done some preliminary work on it--it was our thought that there would be no difficulty at all in requiring anybody who has bills larger than twenty dollars to turn them in on a certain day, and at that time we could reasonably expect them to give us general information, their name and address and other things of that sort, and at that time we would be obligated to give them other currency in its place. It would afford leads for purposes of income tax cases as well as almost anything else, but I have a little difficulty in seeing how you can tie the large bills so quickly to the proposition of owing that amount of money in income tax or requiring them in some fashion or other by the fifteenth to file an immediate return which would indicate that these large

bills represented some profit that they would not otherwise declare.

H.M.JR: I would say that anybody who brings in a lot of bills after the fifteenth, we are going to ask him, "Does this represent legitimate profit, or does it represent black market profit?" He is going to have to square it with his income tax after the fifteenth.

(Mr. White enters conference)

MR. O'CONNELL: Well, you turn it in before the fifteenth--I don't quite get what happens in that situation.

H.M.JR: We would just know if he turns it in before the fifteenth. It is a loophole; we are willing to let him do it.

MR. LUXFORD: If he turns it in before the fifteenth, you won't make him file a report on it. It gives him an opportunity to file it with his tax return, and that is the end of it.

H.M.JR: We won't know whether he did include it in his tax return or whether he didn't, but we know he has turned in the money.

MR. GASTON: That would mean giving people who are cheating on their income tax returns a large inducement to them to turn the money in immediately. Then you would get the money, but no taxes out of it. People who haven't been cheating could take their time.

MR. LUXFORD: You would get the taxes if they would turn them in.

MR. GASTON: I don't see it.

MR. LUXFORD: You turn it into the bank. It is easy to trace an asset they didn't have before.

MR. BLOUGH: Suppose they come in and change it for twenty dollar bills?

MR. GASTON: You are not going to make any record. He may be a black market operator having fifty-seven thousand dollars in one hundred dollar bills and gets twenties for it, and that ends it.

H.M.JR: We could do it another way if you want to. We can send a telegram out to every bank in the country that anybody that comes in with a lot of bills, please make a record of it; how many brought in, how many exchanged, and please turn that over to the bank examiners.

MR. BLOUGH: It seems to me there is your real thing. If you can legally require a person to explain a one hundred dollar bill and say who he is, that is your solution and I wouldn't make any leeway for the fifteenth.

MR. GASTON: I think that is, no doubt, the essential feature if you are going to get any information to lead to income tax evasion.

MR. LUXFORD: You are still giving them tax concessions because they can always include all of that they haven't previously declared in this declaration, so they won't be prosecuted for taxes.

MR. GASTON: The only thing I can see in connection with taxes is to get information about currency being held by people. That is one lead so you can investigate their income.

MR. LUXFORD: Suppose a man is holding out ten thousand dollars and he wasn't going to declare it. Now, what you are going to do is force him to identify that he held ten thousand dollars, but you have given him almost until January 15 to amend his return. So he is still protected against--

MR. GASTON: So what?



MR. LUXFORD: That's exactly what we want, isn't it? It is an inducement to him to get it in before the 15th.

MR. GASTON: Isn't that what we want?

MR. LUXFORD: Yes, I am all in favor of it.

MR. GASTON: You mean without accounting for it?

MR. LUXFORD: He can account for it, but he still has a leeway to declare it.

MR. BLOUGH: The point is well taken. If you can get this machinery set up and get all set and get the decision around the Government that it is the thing to do and go ahead with it--if you can get that done in time for a fellow who is scared thereby to do it by the 15th, well and good, but the amount of penalties involved and conditions under which penalties would be imposed are not a major concern.

MR. GASTON: We were talking about income tax. My only point was if you give the man a period to turn the money in during which you won't require him to identify himself and the money, there is an open violation for anybody concealing income to get rid of it while people who are not concealing income would have no inducement to turn it in but--

H.M.JR: You give him a receipt.

MR. PEHLE: By the 15th of January, Mr. Secretary?

H.M.JR: Yes.

MR. GASTON: I still think that the thing has dangers.

MR. PEHLE: This is a program I have been in favor of for a long time, though I would be a little worried about tying it so completely in with taxes to start with.

H.M.JR: No, no!

MR. GASTON: I think there is another thing we have to look at.

H.M.JR: Let's find out how we can do it and then give it--

MR. D.W. BELL: Give it a lot of thought.

H.M.JR: If they wait until the 15th, this is a good week to do it. You will never have a better week.

MR. LUXFORD: One of the difficulties you are going to run into--I am fully in accord with it--but I want you to remember it because you have the problem of enforcing this for years to come. You have several million men in the Army. They will all come back. You will have this proposition when they return. They will say, "We didn't know about this. We had these bills on hand." You have an enforcement problem. How to tell when a man is lying or not lying is going to be extremely difficult. I have thought about it and I just want to mention it to you.

H.M.JR: Well, listen. They found some soldiers averaging six thousand dollars apiece on them--two hundred soldiers.

MR. LUXFORD: You are not going to be able to really affect the soldiers at this time.

H.M.JR: No, but I would say I would allow any soldier to come back with a hundred dollar bill on him.

MR. LUXFORD: Here is what happens--

MR. PEHLE: Any soldier that comes back and says, "I was out of the country and I had five thousand dollars in my safe deposit box." You can't do a damn

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thing. You will be taking affidavits for the next one hundred and fifty years.

H.M.JR: That's all right.

MR. LUXFORD: This is going to be like the gold program. The enforcement of it will require that kind of an operation and we are still enforcing the gold issue. I do want to mention to you that is what we are in for.

H.M.JR: That wasn't bad.

MR. GASTON: One point hasn't been brought up and that is what the effect is going to be on the value of United States money and obligations. I think that end of it--I don't claim to be able to form any judgment on that, but I think it is something we want to look at very carefully.

H.M.JR: Now look Herbert, Bell has been talking that way for two years now.

MR. D.W. BELL: That's right and I will still worry about it.

H.M.JR: I am willing to take full responsibility as long as I know I am standing on legally firm ground. As long as the procedure is worked out carefully and the publicity is ample, and as long as before I do it I contact the Hill and make sure that the Congress, both Democrats and Republicans are with me--but in the meantime--because after all I am not being pressed by anybody here--the group--by Mr. Acheson. The Under Secretary of the Treasury didn't want the President to change the price of gold--didn't want them to buy and sell gold. We got a bear by the tail. Currency went up five hundred million dollars last year. It is getting steadily worse.

You have this black market thing and some day Jimmy Byrnes or somebody can come out and say, "Morgenthau isn't carrying out his responsibility,"

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and issue me a directive. I am not going to wait for somebody to tell me what to do to carry out my responsibility. And in carrying it there is a certain amount of risk involved. I am willing to take it provided the whole thing is very, very carefully worked out so it will go smoothly like when we called in all the gold. Now, at that time, as I remember it, there was a minimum of irritation, except for the people--

MR. LUXFORD: We learned a lot there, too.

H.M.JR: You have all that experience.

MR. LUXFORD: That is right.

MR. BLOUGH: There will be much less irritation this time, because that time people lost what they thought was possible profit. Here they are not going to lose anything except convenience unless they are illegitimate operators.

MR. WHITE: With adequate publicity--everyone knows the soundness of the dollar, and I don't think there is the slightest possibility that it will have any underscored effect on the credit of the Government or its bonds or money, providing there is an adequate explanation, which has nothing to do with the credit of the United States Government at all, or so interpreted. So I think that aspect of it again, if provided with adequate publicity, can be ignored.

MR. BLOUGH: One really important thing is there must be--whenever a person brings a large bill, he must be able to get little ones.

MR. LUXFORD: Let's examine that. You can do it that way if you want to. Or you can, if you want

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to, tell him, "You can't take out so much right now."

MR. PEHLE: I would be very worried about that, and I think, Mr. Secretary, that you ought to let them have a minimum period where there are no questions asked, even though you don't get the information you want.

H.M.JR: That's where I started first, and where I started first was this, that you say to the American public on the 10th or 11th, that with the income tax due on the 15th that we hope that if anybody has been hoarding money for one reason or another, or he has made money--put it this way--those who have made money during 1944 and have overlooked anything, they can file an amended return for the whole year, can't they?

MR. O'CONNELL: Yes.

H.M.JR: Not just the fourth quarter. And anybody that brings in this money may not have to--anyway the thing is, there would be no questions asked. They will know about the income tax. Anything that comes in between now and the 15th, there will be no questions asked. That was my first proposal.

MR. PEHLE: I think you ought to do that.

H.M.JR: That was my first proposal. After the 15th everybody is going to have to explain, provided we have a legal right to ask them to explain. They will have to file a bill of particulars.

MR. PEHLE: My suggestion would be to give a little more time. It is a big administrative job, and secondly, the first thing to ask for is their names.

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H.M.JR: Then you lose the whole business of additional revenue for 1944. He can't file an amended return after the 15th.

MR. O'CONNELL: It will cost you some more money.

MR. GASTON: No returns are filed until the 15th of March. This is an amended estimate of income for 1944.

MR. O'CONNELL: Amended return.

MR. GASTON: Amended estimate.

MR. BLOUGH: You can file a final return if you want to, or an amended estimate if you want to. I don't think there is any connection, except what psychological connection you can develop between this and the income tax, because the people who turn their bills in before the 15th are the ones you are not going to catch under the income tax, and the people who turn bills in later are the ones you will have leads on to follow up.

H.M.JR: But Roy, if you say that anybody who turns in any between now and the 15th, fine and dandy. I don't say that everybody who had made five, ten, or twenty-five thousand in the black market is going to rush this money in, and he may or may not amend his return.

MR. GASTON: Why should he amend his return?

H.M.JR: He may or may not, but Luxford, I think you ought to take--whenever a man turns in more than five thousand

or one thousand dollars you ought to make him report his name. Why? Because the public is going to think we left too many loopholes if you are going to allow black-marketeers to turn in bills. I don't like it.

MR. LUXFORD: They are going to think you are leaving loopholes. They are going to resent it.

MR. PENLE: Mr. Secretary, the currency has always been something that moved around freely. If the Treasury, after the ration stamp fiasco which Mr. Bowles got himself into, says, "We are going to call in all the money and you have to account for what you have," they will say, "The next thing you will be calling in ten-dollar bills and you will have to account for what you have." It will have a bad, adverse effect. If you first let people turn in what they--say if you tie that in with income tax after people have had a reasonable chance to turn them in, I think we have a good chance to get a bad public reaction.

MR. LUXFORD: Mr. Secretary, you are going to have an outcry with this program. You are going to get an outcry from the people whose feet you are pinching, and they are going to use every device to fan it, but I think the bulk of the American people would like to see these boys catch it right on the chin.

H.M.JR: Look, did the horse racing--did the book-makers squeal? Did anybody? To show the by-product, I understand somebody spent fifty thousand dollars on a night club in Miami, and after this thing came up he closed in three days because he had no customers.

MR. PENLE: Do you think that is comparable to this?

H.M.JR: No, I am just answering him--that fellow--on black market profiteers who have the currency. If that fellow is going to squawk, nobody is going to listen.

MR. PENLE: That is not the fellow we are worried about. I mean, we are worried about the point of view of complaining. The person we have to worry about is the conservative fellow who is worried about Government controls on monetary

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changes--all that group--you are going to stir them all up. It is one thing if you are going to give them enough time to turn in currency without questions being asked--

MR. O'CONNELL: I don't understand that.

MR. PERLE: If I have a one-hundred-dollar bill, I think I have a right to go to a bank and turn it in without giving anybody my name. That is none of their business.

MR. LUXFORD: We are not talking about one-hundred-dollar bills, we are talking about--

MR. D. W. BELL: What are you going to do about the fellow who brings in a one-hundred-dollar bill five times?

MR. BLOUGH: Or the fellow who wanders from bank to bank?

MR. D. W. BELL: Or the hoarding of one hundred dollar bills.

MR. GASTON: What are we trying to do, stop hoarding? And will they not hoard twenties as much as one hundreds and one thousands?

H. W. JR: May I hear from Mr. O'Connell? Mr. O'Connell only speaks loudly on the phone.

MR. O'CONNELL: Well, I have only a couple of reservations about the program. I think it is desirable, but I have very definite reservations about the desirability of trying to tie it so closely to income tax payment. And that brings me to the second point, that I don't think it is either possible or necessary to have it done by the 15th of January. It seems to me the way we have been thinking of it there are a number of mechanical difficulties involved, requiring all the people who have fifties, one hundreds, or larger to turn them in on a certain day without any advance publicity. You will announce on a certain day--you indicate to the banks a day or so in advance, effective on that day, anybody who has a one-hundred-dollar bill or larger can't use it except to take it into a bank and get



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some twenties for it, and you give them a period of two weeks, possibly. I am thinking only of the domestic program, although it is a world-wide program, too. Big American currency is scattered all over the world, and the mechanical difficulties in getting that tied into the picture--at least they exist, and I don't know how substantial they are. Give them a period of two weeks to turn in their money, and I can't believe anybody who has a legitimate right to them would object to giving his name when he turned in the one-hundred-dollar bills.

H.M.JR: May I interrupt you? I think if Mr. Hoover would tell us the size of the bills that these two saboteurs had and they turned out to be big-denomination bills, that is a thing we could use--

MR. LUXFORD: The saboteurs that came in had large bills?

MR. DuBOIS: We have checked on that, Mr. Secretary. Charlie Shaeffer has checked; most of them are tens, he said.

MR. PEHLE: What were the first group?

MR. DuBOIS: The first group had some large and some small.

MR. PEHLE: They had trouble changing them. Most of them are new ten dollar bills in this last group.

H.M.JR: Anyway, Joe wasn't finished.

MR. O'CONNELL: It seems to me that we ought to get together and attempt to work out something, but I honestly cannot see the connection--the necessary connection--between this program and the 15th of January. I don't see how they work together.

H.M.JR: I will put it this way: I just thought, frankly, if I gave you fellows all a deadline I could force you into the thing, but if I gave you the 15th of March you might argue me out of it, so that is why.

MR. PEMLE: I think it would be a mistake.

H.M.JR: Let's go back and examine it on that score, John. If Joe is finished, George comes next.

MR. HAAS: I am going on a little different angle, but it is very closely related. I came in this morning quite worried about the outlook for our borrowing program. I think if we look back to the beginning of it, we couldn't have hoped to have done as well as you have done in the program, and I think there is a tendency when things go along easy of taking everything for granted. On our Treasury borrowing program we are confronted with this Federal Reserve ratio. People are beginning to worry about that, and something will have to be done with regard to it before the Seventh War Loan. We don't want the thing so we have a pistol to our heads.

H.M.JR: May I interrupt you? This is in the room here. I had a thorough check by my doctor in New York, and he gave me a clean bill of health. I was thinking of the other fellow having heart trouble, but I don't know how long I was--I had a thorough check, and I thought you people might like to know. He couldn't find anything

MR. WHITE: It means you shouldn't have any more headaches.

H.M.JR: Yes. That takes something other than a doctor.

MR. D. W. BELL: That takes a columnist.

MR. HAAS: On this, Mr. Secretary, I think we are much too complacent around here. The whole thing can fall down like a stack of cards even if it is going fine. Something has to be done on a Federal Reserve basis, some legislation connected with your having Bretton Woods legislation, and we have a very vital concern; if they do it, we are stuck.

H.M.JR: What?

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MR. HAAS: If they don't either get some legislation there changing legal requirements for Federal Reserve ratios or you and Eccles make up your minds you are going to issue Federal Reserve Bank notes--and if you are, they should be done quickly. If you are going to ask for legislation, I think what should be done--it is tied up with the Bretton Woods legislation, which should come first. I think the Federal Reserve thing has a number one priority. I don't know anything about this other currency thing.

H.M.JR: You tell that to White.

MR. FLOUGH: It is in the Budget.

H.M.JR: Just one second, I didn't see the President's reference to Bretton Woods in the State of the Nation speech.

MR. WHITE: At least it was in.

MR. GASTON: It was on four or five typewritten lines in the last draft they showed us.

H.M.JR: Herbert, I would like to hold you responsible for taking the President's Message as it came over to us in the first draft if you still have it.

MR. GASTON: No, we sent it back.

H.M.JR: Can you do this? Can you indicate in the final draft those parts that were Treasury suggestions?

MR. GASTON: Yes, I can do that, and I can show you what was left out, too, John and I together can.

H.M.JR: They were given to me in memo form, using the body of the message. The Bretton Woods thing lost out.

MR. DuBOIS: I was going to mention that a couple of commentators Saturday night called attention to the fact that the President had for the first time made it clear that

the Federal Government had an obligation to make these rights come true.

H.M.JR: What was that?

MR. DuBOIS: They called attention to the fact that the President had for the first time made it clear that the Federal Government had an obligation to see that these rights became realities.

MR. GASTON: I don't think it is the first time, but I am glad they said so.

MR. HAAS: I came in this morning with the idea of trying to write a sentence on this thing because I think we are too complacent, and there is something now disturbing the picture, and I don't know anything about the currency. This currency thing is something that if it came from the outside I think you should oppose it. The essence of currency is that it is something negotiable, and it shouldn't be confused with income tax evasion. Do income tax evasion directly. People complain about registered bonds. They want something more negotiable. Currency isn't going to be strictly negotiable.

H.M.JR: Why don't they want their bonds registered?

MR. HAAS: That is the point; I think currency should at least be left free.

H.M.JR: Why don't they want their name on the Government records?

MR. D. W. BELL: They may have some good reason, I don't know.

MR. HAAS: You have to finance the war; that is my point. The other thing is not so important.

H.M.JR: When I started out, in the first speech I made in Congress I said, "I don't want any blood millionaires." This thing that you are talking about--how would you go about it?

MR. HAAS: I have been thinking about it. You are going to get criticism on tax evasion from professional people, high-grade professional people, and not only bootleggers. And I think if you could find some of those, you would scare a lot of them.

MR. LUXFORD: This is the way to find them.

MR. HAAS: Look at the price you pay for that. It is too risky.

MR. D. W. BELL: About thirty days ago I asked Norman Cann if he could get some of these income tax evaders' currency and some black market currency, and see if he couldn't set an example, and he said he would look into it and see what he could do. Every time previously when we have prosecuted a big gambler or somebody we knew who was evading taxes we have had a sort of avalanche of others coming along for a month or so.

H.M.JR: Well, I can see the argument that you shouldn't tie it in with income tax if you feel currency is something that should move freely. I am willing to take that into consideration, but I certainly think that when we put this program in and the people come to the banks with their money, that the banks certainly should ask their names.

MR. PENLE: Even initial them?

MR. LUXFORD: There is an answer to avoid a man's going from bank to bank and delivering hundred dollar bills. The Belgians did it. They required at the time they delivered bills, number fifteen ration stamp. That is the way the Belgians did it, which kept a man from peddling bills to banks--when he came in he could turn all the bills in he wanted to, but he had to deliver the ration stamp. That was the end.

H.M.JR: That was all the bills he could deliver in that name.

MR. BLOUGH: It comes down to this. That was an extremely serious situation. If this is sufficiently serious to stand the public repercussions on it, you can do that, but only if it is sufficiently serious. If the gain is sufficiently great--what you want is between one hundreds and twenties. I don't think between five hundred dollar bills and one hundred dollar bills you are really going to have enough to turn the trick with the black market operations.

The other thing is a register of what monies people have, and that seems to me to be a pretty serious question.

H.M.JR: In the New York Times the business index has been falling off, see? It has passed its peak, and notwithstanding that, the currency keeps going up. Where is it going?

MR. BLOUGH: There is hoarding.

MR. PEHLE: It need not be combined with getting names in the first instance. Some people refused to answer simple questions which the Census asked, questions anybody should have been glad to answer. They said, "It is an invasion of the rights," and so forth. We have gone quite a bit further during the war, but I feel that if we say everybody who turns in currency has to tell why they are turning it in, and you get the over-zealous banker--

H.M.JR: Let's do this: Supposing we don't ask? How about the criticism of the fact that we don't ask?

MR. PEHLE: I wouldn't worry two minutes about that.

MR. WHITE: The program is worth extremely little, and I agree with Roy and with Joe, that we have to ask or the program isn't worth much. And I think what will help make up your mind is if you see ahead of time the kind of publicity and the kind of statement you will be able to make and will be able to judge how convincing that is. I think if it is reasonably convincing, that the honest man will have no objection. The fellow who has something to hide, with the exception of the cranks--

you can be sure that any time they are asked anything-- they will be overwhelmed by the general public opinion. That will be in favor of it if you can make a good case, and you can judge how good a case you can make to the man in the street by seeing ahead of time the kind of statement you will issue in defense of your action, so I would like to see this group come up and submit it to you and see what it looks like.

H.M.JR: I would do this in two steps. I would do this step, and then announce at the same time that within six months we are going to get out entirely new currency-- which will replace all outstanding currency. And within six months we will have new currency. That is what Bell wants to do.

Mr. GASTON: That raises the question of why you are calling it in now.

MR. HAAS: They say the same thing on bonds.

MR. BLOUGH: It undermines your strongest reason for doing this, the one you can sell best to the American public, and that is the foreign hoarding of these and enemy use of them. If you are going to call in all your currency in six months, that argument will be taken away from you.

MR. WHITE: Unless you can have a strong black market reason in addition to the foreign reason, I don't think you had better try it. Unless you can get an explanation that is convincing on domestic reasons as well as foreign, you had better leave it alone.

MR. D.W. BELL: One, foreign; two, black market; and three, income tax evasion.

MR. WHITE: The last two tied in together--

MR. O'CONNELL: They are pretty good reasons. How effectively they can be presented as a group, as Harry says, will have a great deal to do with whether the thing will be worth taking a chance on. It isn't a very bad public relations problem at all. At least I had not thought so, and still don't.

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H.M.JR: As you feel now, how would you advise me to proceed?

MR. O'CONNELL: I would say we ought to have enough time to work out a program, and it would be essentially a program you had announced, effective on Monday, the day the announcement is made. You would have made arrangements with the banks in advance so they would be prepared for anything bigger than a twenty-dollar bill, which would not be good for anything except to be turned into the bank to get currency which is legal tender. And at the time the man turns in the money he has to give his name and address. You can give him a period of ten days or two weeks to turn his money in, and after that there is a pretty strong presumption that money coming in after that will be illegally acquired.

MR. GASTON: Why shouldn't they turn in--if you give them ten days notice, why shouldn't a man turn in what is illegally acquired during the ten days?

MR. LUXFORD: We will have his name.

MR. GASTON: You are going to require his name from the time you make your announcement?

MR. LUXFORD: That is right.

MR. GASTON: From the time you make your announcement you are going to require the names of everybody bringing in a bill. That is the only way you are going to accomplish anything.

MR. O'CONNELL: That is the only way you can do it, as long as you are going to prevent hoarding.

MR. LUXFORD: Do you have the technical, legal authority to do this? It seems to me it should be signed by the President. Under Section 5B he delegated to you all powers except those given to APC, but this is so completely remote from what he was intending to give you; probably he should sign it.



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MR. HAAS: Why wouldn't all the money be in the dealers' and brokers' hands? If I had it, I would put it in negotiable bonds or anything if you would give me any time at all.

MR. PEHLE: Dealers won't take it after the announcement.

MR. BLOUGH: Take away the legal tender.

MR. WHITE: They are satisfied with it; it is legally possible.

MR. O'CONNELL: No longer--

MR. HAAS: You have honest people worrying about the debt now.

MR. LUXFORD: Require the delivery as a hoarding measure. The statute expressly states we are against hoarding.

MR. WHITE: You had better be very, very sure of those grounds, though. There are a thousand monetary lawyers who will question that. You have got to be sure beyond any question of a doubt.

MR. LUXFORD: It can be a hoarding measure in so many words.

MR. WHITE: I am not the judge, but the legal tender aspect of currency has been a matter which has been a bone of contention for one hundred years.

MR. HAAS: I think we sit in the room here and don't know what is really going on in people's minds outside. I think you need public opinion on this question.

H.M.JR: Should we try it out some place?

MR. D. W. BELL: We could make a survey. Likert asked some people some questions, but he didn't make a very intensive survey.

H.M.JR: I was going to bring in some of the bankers beforehand. You can't do an awful lot of testing, you know.

MR. HAAS: You can't do any.

MR. LUXFORD: I wouldn't go out.

MR. HAAS: I think it is the biggest decision you have made since I have been in the Treasury.

MR. PENLE: No, no.

H.M.JR: Let's face this thing as a moral and ethical issue. I am convinced, and I will have the evidence this afternoon from Mr. Bowles. He is going to send it over. If I am wrong, we will drop the thing. If he says he can show me where there are all kinds of people operating in the black market and making all kinds of money, and they are doing it through using large denomination currency--now, if I am wrong and my program is wrong, that is something else. I am sitting here in the middle of a war, and I am not doing anything about it, and it is my responsibility. I don't like it.

Now, criticism! I will always be criticized as long as I am Secretary of the Treasury. I may get a good press when I am under the daisies because I am under the daisies, but for no other reason. But there is a way of doing it so that one hundred and thirty-four million may like it. I have a responsibility. I mean, it is just the same thing as when I came in here. I was here a little while during the bootlegging days, and I made the statement that either I would lick bootlegging or I would go home, and some people said that was a damn fool statement to make because you can't lick it. Well, we did lick it.

Well, if my premise is correct--if my premise is wrong and there isn't all of this illegal transaction and illegal profiteering--but if it is right, you don't have to ask anybody; it is up to the Treasury to do something about it before somebody orders me to do something about it.

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MR. HAAS: What if after you do it, Mr. Secretary-- I think a bootlegger can operate without large bills just as well, but it is more convenient with large bills.

H.M.JR: That doesn't prove it is the same thing as saying--well, we stopped opium from coming in, and they found some other narcotic. That doesn't mean we shouldn't stop opium from coming in.

MR. HAAS: It is important if you pay a big price for it.

H.M.JR: My God, look at the people we went up against when we wanted to put a watch on the various steamers that came in and out of San Francisco. We found we had to go to Shanghai and put a watch there. Look at the powerful interests we went up against on that.

MR. HAAS: This is entirely different. Your whole borrowing program--

H.M.JR: I am not convinced. Let's hear from Coyne.

MR. COYNE: I am very much concerned about this, Mr. Secretary, and, frankly, I agree with Mr. Haas that it would have reverberations on your bond program that would amaze you. Mr. Bowles red point cancellation has been tied up with the Treasury. It has been tied up in a thousand places throughout the country with this argument. The newspapers have been in touch with me, "If the Government will cancel red points, why shouldn't Mr. Morgenthau cancel bonds?" This red point cancellation has come home to roost with us in a way that is extremely important. Every bad news story comes through on you whether it originated here or not. The United Press ran an article about the Treasury's redemption procedure backfiring, and a bank did one hundred redemptions a day in Chicago, and it immediately jumped to seven hundred. I am afraid any suggestion of the abridgment of privileges of currency will come to roost with eighty-five million honest guys who will assume it is just a step toward a sort of freezing which will make his Government securities less valuable.

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I have a suggestion. Your analogy was a good one, but when we moved into the bootlegging field, we made the big head-on approach through our investigative agency. You have here in the Treasury the best law-enforcement group in the world--and no apologies to Mr. Hoover--and it is all under Mr. Irey. And if you offer Mr. Bowles the complete use of the Treasury investigative agency, that would be the direct head-on approach to this problem.

The black marketeers can operate with twenty-dollar bills just as well, if less conveniently, but they are a type of group not particularly concerned whether they keep money in safety deposit boxes or under the bed; they function, and the thing that would be lost would be the degree of confidence you built up through this bond program, the spread of which justifies imagination, and I am afraid from our own specialized point of view that you would be risking an awful lot.

H.M.JR: I sent for you particularly so that you could be here.

MR. COYNE: And I could give you a dozen examples of things done by other people, and you, Dan, on the bond program. Mr. Roger Babson says when F and G bonds come down in price common stocks will probably go up. Rickenbacker says probably we should cancel the national debt, and you and I get mail from all over the country indicating that is possibly a reasonable possibility. Some crackpot makes a statement about lending bonds, and the redemption lines throughout the South are swollen by colored folks, "Someone dun tole us the Government is going to burn dem up."

You are the most vulnerable man down here. Anything anybody says, whether in Government or not, is your worry, because it immediately has repercussions on your job.

MR. D. W. BELL: I agree with that one hundred percent.

MR. PEHLE: I do, too.

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MR. LUXFORD: There are two phases to what has been said here, one on the black market--you are looking at the future and the past. I say a program of this character would be very powerful in uncovering black market operators already having the money. They can't get rid of that. They may find new devices in the future; if they are going to cash what they have now, they will have to come forward. You will uncover many of them. You cannot even start to do this by sending out a bunch of investigators. What are the evidences--the leads they are going to use? This is going to give you an enforcement device which will make it possible for your investigators to uncover some of this, but you are not giving them any leads. This will give them a powerful lead.

MR. COYNE: You have a gang under Elmer Irely that can go out tomorrow and round up cases--examples of black market operations, take them into Federal Court in a professional way that would give you all the examples of punitive action that are needed.

H.M.JR: Because of the pressure that comes to me, why haven't the Treasury people gone into the black market thing on tax evasion grounds? What are they waiting for?

MR. COYNE: They have to agree.

H.M.JR: That's a damned good reason! Why haven't they done it?

I mean, Here is Gaston who has Irely under him, and Joe, who has Internal Revenue, and there is a lot of tax evasion with the black market operators, lots of evasions and lots of other things, too, and the investigative force we have is working as effectively as it can.

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MR. GASTON: They are spread out pretty thin. I talked to Irey about this very thing several months ago. I think that Irey is trying to make some cases. They haven't made them yet, but the idea was if we could make some--just a few cases and get them widely discussed, that it would be very helpful. They haven't come through yet. They have been working on it for some time.

H.M.JR: That takes care of your argument.

MR. COYNE: No, sir, it doesn't. I don't think your Treasury Law Enforcement Agencies have moved into OPA territory. The OPA has set up a bunch of young lawyers with no experience, but I think if Chester Bowles and the Secretary would sit down and pitch to Elmer Irey and his gang a broadside challenge, you would be amazed.

MR. GASTON: We have had very extensive negotiations on that very point with OPA, they have ambitions to build up their own organization. They are jealous of our help. We have constantly offered the help of Secret Service and a great many of the important cases have been made by the Secret Service but they don't like to have us make the cases. They don't give us details, and we have given them a good deal of help. They want to have their own organization and we haven't the men to handle this thing. It is bigger than all the investigative work we are doing. We have helped them what we could.

MR. WHITE: Isn't it a separate problem? You have to go ahead with the agencies you have, but what has that to do with other criticism? It needs to be evaluated and needs to be examined. This action is likely to result in a serious setback in your ability to sell bonds, as George has pointed out, and Mr. Coyne's point, and that needs to be carefully evaluated. It seems you have always had criticism and you have sold bonds, and you always will have criticism, and you will sell bonds, and the connection between making people turn in fifty and one-hundred dollar bills doesn't touch nine hundred and ninety-nine out of one thousand people. A man who carries one hundred dollar bills around is a rare bird,

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unless he is dishonest, and if you can get the public with you, I think there will be very little public sympathy for the man who makes a fuss.

H.M.JR: You would be surprised.

MR. WHITE: Whether you can make a good case publicly--

H.M.JR: You go in the saloons of Norfolk and you will see plenty one hundred dollar bills.

MR. LUXFORD: Public relations--

H.M.JR: Let's leave it this way. I would like Mr. Bell and Mr. O'Connell and anybody else they want to call on, to help them to work out a good plan for me, see? Mr. Gaston on the public relations--I don't want to wait too long. At least let's have a plan that you think is a workable plan, on the assumption I want to do it, see?

MR. D.W. BELL: Yes.

H.M.JR: And we will wait until this afternoon, until the Bowles stuff comes in, and keep talking about it for the next day or two. I would like to put it high up on the priority list in the Treasury, the plan, and I am going to keep talking about this until it is settled. You can have a plan--something for the soldiers--we will be asked about that. You can have something about enemy aliens and a whole lot of stuff, but I want a plan. So I am going to ask Gaston and Joe and Herbert now to work on this thing and submit a plan to me very, very promptly.

MR. GASTON: The purpose being to break the black market, affect the black market situation.

H.M.JR: No, no, no! We don't give the reasons. I just want a plan to call in all the bills over twenty dollars. A plan. Now, that doesn't have anything to do with the reasons.

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MR. GASTON: You will have to know what you are doing it for won't you? I understood you to say your main idea is to do something on the black market front.

H.M.JR: And the money in the hands of the enemy. Dollars in the hands of the enemy.

MR. GASTON: I am not thinking about public explanations but what we really want to achieve.

H.M.JR: The thing that is bothering me mainly is the black market. That is the main thing.

MR. GASTON: Yes, yes.

H.M.JR: Those of you that listen to this, please, if you feel you have to discuss it with any of your assistants, I caution you. Now, I know White has to be on the Hill at eleven o'clock.

MR. WHITE: And you can assign somebody else to get up a kind of statement of justification. I think that will be a separate task.

H.M.JR: That's Gaston. I don't know of anybody who has any business other than this, to go around the room.

MR. C.S. BELL: I have a few little things, but I can hold them over.

H.M.JR: You can stay behind because I don't want to tie up all these people. Dan?

MR. D.W. BELL: I had two or three things I wanted to comment on. They are not terribly important. We had quite a little trouble with the Montgomery Ward money. They have contended that the Army has no authority whatever to use their funds or to endorse their checks, and we undertook to designate a bank in Chicago, The Continental Bank, which was designated by the Army before we designated it, to accept those checks with the endorsement of the Army.

H.M.JR: What checks?



MR. D.W. BELL: Coming in to Montgomery Ward for payment of goods, and at first Continental refused to do it saying they weren't sure they would be liable and they wanted an agreement of indemnity. We don't know if the Government has authority to give it. They would have to rely on the Government protecting them in case they were sued. We got up a letter for the Secretary of War's signature which went as far as it could legally, and they accepted that and went along, but in other cities they have done nothing, in Portland, San Francisco, Detroit, and I believe in New York the banks will not accept the checks. I don't know if I blame them a lot. We have worked out a procedure. An Army officer deposits all of the money in the Treasury, in the Federal Reserve Bank as fiscal agent, for credit to a particular Army officer designated by the Army, and then he will draw that out of the Treasury in lump-sums and put it in the bank to pay the bills of Montgomery Ward, and that has worked.

They are very happy about the solution, and I think they will even change in Chicago and go to the last solution that we have given them, but it has been a headache.

H.M.JR: With the treasurer?

MR. D.W. BELL: Yes, sir. But the banks have been scared to death to touch it and don't want to get in between Montgomery Ward and the Government.

MR. GASTON: They have probably had a warning not to accept it.

MR. D.W. BELL: They have been publicly warned by Montgomery Ward people. You asked me Friday how much we had sold of postal savings and FDIC bonds. Seven million, seven of twenty million.

H.M.JR: How much?

MR. D.W. BELL: Seven million--seven.

H.M.JR: Which bonds?

MR. D.W. BELL: Several issues.

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H.M.JR: Exemptible?

MR. D.W. BELL: Tax exempt. Seven million, seven, out of twenty million dollars. There is one other thing I would like to mention on the depository system. It looks as though politics might get into the picture a little. We have had a lot of pressure, not so much pressure, but a gentleman wrote in--

H.M.JR: I am worried about Harry and his appointment.

MR. WHITE: You wanted these.

(Hands Secretary letter to Secretary Stettinius from Secretary Morgenthau dated January 8, 1945; also letter to Secretary Morgenthau from Mr. McCloy dated December 30, 1944. Mr. White leaves conference)

H.M.JR: Right.

MR. D.W. BELL: We had a letter from Mr. Barnes of the White House about designating a bank as a depository in northern New York and there is a depository there already. It has been there since 1901, and we wrote the usual letter that we didn't designate depositories where they aren't absolutely essential and this depository had been performing functions officially all these years; and we didn't care to change, and that there wasn't enough business there to justify two depositories. And we got a letter back from the Democratic Chairman up there saying he wasn't interested in how long this other depository had been functioning for the Treasury and how efficiently they were doing business--what he wanted was the designation of the other depository cancelled and this other bank given the designation. That is over here for reply and I don't know how much we are going to hear about it but it is the first step.

H.M.JR: Is that a county?

MR. D.W. BELL: I think it is a county. It is a rather sharp letter through Barnes.

H.M.JR: I would like to sit with Herbert and you and take a little time to do it today or tomorrow.

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MR. D.W. BELL: We will draft a reply within the next day or two.

Guffey is on our neck for an additional bank at Johnstown which you probably will hear about. It just isn't justified. He spoke to me about it and I will have to turn him down and he will probably come to you. That is all I have.

H.M.JR: John?

MR. PEHLE: Late Saturday we had the latest flurry on dry cell batteries. We sold them the second time for five and one-half cents to wholesalers and six and one-half cents to retailers, which price was fixed by OPA. The New York office called up and wanted to know whether Sears and Roebuck were entitled to wholesale prices. We talked to OPA and didn't get much out of them, although their inclination was to say, "No." Since the retail selling price to the consumer is ten cents for everybody, the way OPA fixed it, they said if they had fixed a lower selling price for Sears Roebuck and Company and that type of concern, maybe we should sell it to them at something a little better than retail price.

H.M.JR: Why wouldn't Sears and Roebuck be wholesalers?

MR. PEHLE: They are not. Sometimes they give wholesale prices because of pressure, but they perform a retail function rather than wholesale. They are big retailers. They don't take any credit obligation with regard to retailers. They don't divide stock to sell to a lot of individual people. They don't perform many wholesale functions, although many times they get wholesale prices through pressure.

H.M.JR: That must be coming up all the time. It can't be an isolated case.

MR. PEHLE: It is something we are going to have to make.

MR. GASTON: They are entitled to pay a retail price when they want to pay a bonus for the stuff and then they claim the wholesale price when they want to get the lower.

MR. PEHLE: We did not give Sears and Roebuck the wholesale price. There may be some repercussion.

H.M.JR: General Wood may call me?

MR. PEHLE: He may. Maybe Army will call you about Montgomery Ward, but there is no problem about selling what we are selling. There is a great shortage and we are going to go into the thing further, and OPA is going to go in it.

MR. O'CONNELL: John, do you have anything to do with Federal Trade Commission price discrimination bills? It would be worth taking a look at because they undoubtedly have had the same problems.

MR. PEHLE: It varies in different commodities, too.

H.M.JR: On this thing, the way you solved this thing for Montgomery Ward. I wish you would write a letter for my signature to Mr. Stimson. I would like to inform him about what we have done.

MR. D.W. BELL: He has been in on it. He signed the letters to the company.

H.M.JR: Does he know we worked this out?

MR. D.W. BELL: Yes.

H.M.JR: I would just like to see if I can get a "thank you" out of him.

MR. D.W. BELL: I think you will get it without asking for it.

H.M.JR: I wrote a letter on China and he doesn't even ask me to go on and doesn't say, "Thank you." We saved them at least one hundred or two hundred million dollars. Anyway, I would like to say, "We have been able to work this thing out. I hope you are satisfied."

MR. D.W. BELL: Yes, I will do it but I don't like to. I think it is sort of asking for a "Thank you", when I think you probably will get it.

H.M.JR: You write it and then we will talk, and I bet ten to one we don't get a "Thank you" out of him.

MR. D.W. BELL: We have several thank you letters from the Army, not from him, but from others.

H.M.JR: You have to get it from the first one. When you come in you bring that in will you?

MR. D.W. BELL: Yes.

MR. PERLE: Nothing else.

MR. BLOUGH: Beardsley Kuml has published his book, the last third of which is on taxes. It is just an elaboration on his well known tax programs. I don't know about the other two-thirds yet. I haven't read it.

MRS. KLOTZ: He reads backwards.

H.M.JR: Herbert, they made quite a issue at my last press conference, wanting a press this Monday. Do you think I better have it?

MR. GASTON: I think so.

H.M.JR: I think you better be here, Roy.

MR. BLOUGH: What time is it?

H.M.JR: Four o'clock.

MR. GASTON: I think the principal reason for holding press conferences fairly regularly is when you don't have them it makes it so exceptional--when you hold one it puts you on the spot.

H.M.JR: I will have something I can tell them, but I hope to be able to tell them about this today on Bretton Woods.

MR. GASTON: It would be desirable to have one or two things to force on them.

H.M.JR: Tell them about the currency.

MR. GASTON: You will get a reaction.

MR. BLOUGH: They will probably ask you about the Budget. It will be out by that time, won't it?

MR. D. W. BELL: No, I think not; it comes out tomorrow, I think. I believe it is tomorrow.

MR. BLOUGH: They may have it. They will have it today at noon. There is a seminar. I thought the seminar was Saturday.

H.M.JR: You be here, too, Dan.

MR. D. W. BELL: I read it in one statement.

H.M.JR: Are you through, Roy?

MR. BLOUGH: Yes, anything else can wait.

MR. LUXFORD: A week ago we spoke to you about the status of Marcus Wallenberg and his bank in Sweden to work out means to stop German assets from going to Sweden and you suggested at that time we draft a letter to Stettinius from you asking them to consider this cable. I have the letter here. I might mention some of the men in Harry's shop, including Harry, were a little doubtful whether you should raise the matter at this high level. I personally think you should. (Hands Secretary letter to Secretary Stettinius from Secretary Morgenthau, dated December 30, 1944.)

H.M.JR: I think we should.

H.M.JR: How long is the letter?

MR. LUXFORD: Short enough.

H.M.JR: That's short enough, isn't it?

MR. LUXFORD: I think so.

H.M.JR: A little bit on the direct side.

MR. LUXFORD: Do you want me to soften it up?

H.M.JR: Yes, get it back to me by two o'clock.

MR. DuBOIS: Mr. Kramer of this business group was in to see John and Luxford the other day. His main problem was whether or not he should get Charles Wilson to head it up.

H.M.JR: Is this the Hoffman group?

MR. DuBOIS: No. This is the other group that came down to see you about two weeks ago.

H.M.JR: Big business and little business.

MR. DuBOIS: His main problem seemed to be whether he should--

H.M.JR: Will Charles Wilson be acceptable to me? Is that the question?

MR. DuBOIS: He wasn't particularly acceptable to us, but if he is acceptable to you--

H.M.JR: He would be all right with me.

MR. DuBOIS: It would seem to some of us we could do better than Charles Wilson.

H.M.JR: I wouldn't call him little business.

MR. LUXFORD: Kramer had doubts in his own mind. He pointed that out.

H.M.JR: I will give you a name--I don't know how big or little--the President of the Federal Reserve Bank of Boston.

MR. D.W. BELL: Flanders.

H.M.JR: What is his function?

MR. D.W. BELL: He has a machine tool company in a little town in Vermont. It is a small business.

MR. GASTON: Ralph Flanders. Formerly a prominent President of the Association of Manufacturers, Chairman of the Board, or something of the kind?

H.M.JR: No, no, no! This man--

MR. D.W. BELL: I don't know. He has been prominent in the public eye for a number of years.

H.M.JR: He goes back to Tugwell's days. If he is the man I think he is in this little machine tool company, he and Dennison and a whole group--is that the fellow?

MR. D.W. BELL: I think that is the fellow you had in mind. He is on the Vinson Committee. He represented it.

H.M.JR: Look into him.

MR. D.W. BELL: He has a very good good reputation.

MR. O'CONNELL: Wasn't he in CED?

MR. D.W. BELL: With the statistical group in CED.



MR. O'CONNELL: Committee for Economic Development.

H.M.JR: If he is the man I think he is, he has been good for twelve years. He has a small machine tool company up there?

MR. D.W. BELL: Yes, some place in Vermont. I could find out.

H.M.JR: I remember he goes back to the small group advising Tugwell, which he and Dennison--

MR. D.W. BELL: I don't remember but I think you are probably right.

H.M.JR: What else, Joe?

MR. DuBOIS: If you have some time this week, I would like a group of us to talk about where we are going on this German problem.

H.M.JR: All right.

MR. HAAS: There is a man named Commander Ince. Is he a friend of yours?

H.M.JR: Yes.

MR. HAAS: He called me up and said he was and he wanted to know if we could help him out on economics of apples and I said--

H.M.JR: Oh, oh!

MR. HAAS: And I said all I did was eat them, but I wanted to check and see who he was.

H.M.JR: He is all right. He was kind of interested at one time in growing some apples, and I said you had a lot of statistics for him. He is quite all right. He is in the Navy. He said he went into the Department of Agriculture and asked whether he should or shouldn't buy an orchard, and they gave him a bulletin on how

to prune a tree. He is interested, possibly--he is an awfully nice fellow, and if there is any of this stuff you have been checking for me--you know, the number of trees planted and all that kind of stuff--

MR. HAAS: Oh, yes.

H.M.JR: He is in the Ordnance Section of Navy-- a thoroughly nice fellow, but his problem is he may want to buy an orchard and all he can get is a bulletin on pruning. He just had a second eight pound baby, so he is all right. (Laughter)

MR. HAAS: The other thing is in connection with borrowing, and can we have a chance to talk with you about it?

H.M.JR: Somebody says "a friend of mine," and I know immediately you are all suspicious. It is wonderful!

MR. HAAS: I wonder if you could have a meeting with us before you see the Federal Reserve group, on the problems in connection with borrowing.

H.M.JR: Get Bell to see me.

MR. D.W. BELL: Huh?

H.M.JR: I don't have much this week.

MR. COYNE: I talked to Director Gamble yesterday at 1:30 Los Angeles time, and he had just finished breakfast. He said to send his regards to you and to tell you he was relaxing nicely.

H.M.JR: Did he call you or did you call him?

MR. COYNE: I called him.

H.M.JR: Are you and Mr. Gamble going to have letters ready to the State Chairmen?

MR. COYNE: I sent your letter addressed to Ted, and sent to all State Chairmen first the context of

it by wire and secondly a reproduction of it so they could send it out to their people.

H.M.JR: I would like a letter to go out over my own signature telling this to them and their organization and volunteers in the field--how much I appreciate their efforts. I want one I could sign myself. I would like to get it this afternoon.

MR. COYNE: We will have it for you.

H.M.JR: I am glad Ted is fine. Don't bother him now, let him alone.

MR. COYNE: I had two or three matters he wanted me to call him on.

H.M.JR: How about the figures on what the States have done. Have those gone to the various States?

MR. COYNE: They are leaving today. You can have them this afternoon if you want them for your conference. The wire services are interested in specific state accomplishments.

H.M.JR: You will be here five minutes before four. Let's release it.

MR. COYNE: Yes, sir.

H.M.JR: If I am going to have press conferences--if you people think up ideas--Mr. Gaston, make them positive. Just don't go putting me on the spot. So if anybody has any thoughts--Friday afternoon and Thursday mornings. Let's have ample copies for everybody huh?

MR. COYNE: Right.

MR. O'CONNELL: Do you have any objection to my talking to the Commissioner about the vacancy over there? I told him before I learned from Herbert that his candidate was not acceptable to you--I told him he was not acceptable to me, although not at fault with anybody else. I also talked to Cann on the West Coast.

Herbert mentioned it to you and he is quite interested-- he is very definitely interested in coming back to Washington but he said if we were interested, he would move ahead his plan about coming to Washington. I would like to suggest he come.

H.M.JR: If you please.

MR. O'CONNELL: I would like to disclose that to the Commissioner.

H.M.JR: Absolutely. I agree. I was rather disturbed over the memorandum Irey gave me over the week end. I don't know why he went into such terrific discussions about what the Commission has done and Cann has done.

MR. O'CONNELL: In connection with that particular case?

H.M.JR: Yes. I don't know why he put it all down.

MRS. KLOTZ: Isn't it what you wanted?

H.M.JR: I wanted? No, I didn't ask him. No, he gave me stuff I didn't ask for.

MRS. KLOTZ: He did it in two different reports, one personally to you and the other for the record.

H.M.JR: There is nothing personal. I am going to send it. Did you see it Herbert?

MR. GASTON: I saw it yesterday.

H.M.JR: What was your reaction?

MR. GASTON: It is something you ought to know. Maybe it might have been better verbally.

H.M.JR: Well, it is done now. What am I going to do with it? Have you seen it?

MR. O'CONNELL: No, I haven't heard anything about that case. My understanding was the Bureau and the rest of us were to keep clear of that.

H.M.Jr.: One formal report, fine, that is all right, but it is the other stuff. Well, if I had had a chance to talk to him first, and if I wanted it in writing, it would have been something else. See, Herbert?

Mr. GASTON: The President was supposed to have made the short beginning of this War Bond film in connection with the State of the Union film the other night. I suppose we can check today whether he did or not.

Mr. COYNE: I checked yesterday. He did it and did it very well. There was one retake on it, but they said it was entirely all right.

Mr. GASTON: And the boys would like to have you do yours sometime this week, and we could present a sample to you and draft it at your convenience.

H.M.Jr.: I would like to see what the President said, and I would like to know a little more about it. So if you and Coyne would ask for an appointment, I will go over it with you.

Fine. I am sorry to have kept you so long but it was worth-while and I would like Charles Bell to stay.

January 8, 1945

Dear Ed:

May I congratulate you on  
your forthright statement answering  
Senator Wheeler.

Sincerely yours,

(Signed) Henry

The Honorable Edward R.  
Stettinius, Jr.,  
Secretary of State,  
Washington, D.C.

JAN 8 1945

Dear Ed:

I am worried about the reports we receive indicating that our Legation in Stockholm is working with Marcus Wallenberg, head of Emskildabank, on measures to stop Swedish interests from cloaking German assets and loot. I do not think we can trust Wallenberg but my boys tell me that some of your men are opposed to sending the attached cable to Stockholm about him.

I think we should send the cable and I would like to sit down and discuss the matter with you and your men if you are not in accord.

Sincerely,

(Signed) Henry

The Honorable  
Secretary of State  
Washington, D. C.

AFL:ec 1/8/45

**PROPOSED CABLE TO SWEDEN**

"In view of rather persistent evidence of close connection of Wallenberg and Enskildabank with German financial and industrial matters, and prevalent suspicions of their collaboration and/or connivance in facilitating major German capital operations in Sweden, it would appear highly inappropriate and inadvisable for us to seek their cooperation or accept their advice in SAFEHAVEN matters. Reference your 4942 of December 2, 8 p.m. Their readiness to lend assistance should be scrutinized in the light of their past activities."



*Not to be sent.*

SUMMARY OF ACTIVITIES OF WALLENBERG  
AND ENSKILDA BANK

- I As late as 1943, Enskilda Bank made substantial loans to the German-controlled Norsk-Hydro (the central figure in the old nitrogen cartel) without receiving any collateral, relying on the strength of the German control over other Norwegian industries to obtain repayment.
- II Within the past two months there has been sent to the State Department from the Legation in Stockholm top secret dispatch covering certain Enskilda Bank negotiations with the Germans regarding the purchase by the Germans of a Swedish plant in ~~Norberg~~, payment for which was to be made in German gold. In this connection a Legation officer saw a note in the handwriting of Jacob Wallenberg which contained the comment that if German gold was to be used the price would have to be higher in anticipation of future complications from the Allies. ~~(This cable has not been sent to Treasury and this incident should not be used at this stage unless absolutely necessary.)~~
- III Enskilda Bank was the cloak for the German interest in American Bosch. This stock has been vested by the APC despite the fact that Marcus Wallenberg testified that acquisition of the controlling block of the American Bosch stock was a bona fide purchase.
- IV Enskilda Bank participated in a scheme with the Swiss Bank Corporation to conceal the German Schering interests in Schering, New Jersey.
- V Enskilda Bank acted for German interests in their attempt to conceal the ownership of the stock of Thorer and Nolander, Inc., New York City, wholesale dealers in skins.
- VI Enskilda Bank was the record owner as of May 1940 of 20 percent of the stock of the German-controlled Dutch bank, N. V. Nederlandsche Koopmansbank.
- VII The Enskilda Bank is not highly regarded or trusted in certain Swedish circles, including important Swedish Government officials. This distrust is due not only to dislike of the Enskilda bank's banking methods but also to the suspicion by these officials that the Enskilda Bank is involved deeply in Germany.

~~VIII~~  
VII The belief, apparently held by our Legation in Sweden, that Marcus Wallenberg is strongly pro-Allied is unrealistic and constitutes a failure to see through the practice commonly resorted to by large financial interests of wooing both sides as long as the ultimate outcome of the war is in doubt. The following facts should be considered in this connection:

- A. While Marcus Wallenberg was apparently sympathetic with the Allied cause, Jacob Wallenberg, his brother and partner in the Enskilda Bank, was known to be sympathetic to and working with the Germans.
- B. Magnussen informs us that one of the Wallenbergs was the author of the Swedish-German Trading Agreement.
- C. Jacob Wallenberg is a member of the Permanent Joint Swedish-German Trading Commission and Marcus Wallenberg is a member of the Joint Standing Commission created by the Anglo-Swedish Trading Agreement.
- D. Marcus Wallenberg came to the United States in 1940 and attempted to repurchase on behalf of German interests an American-held block of German securities.

~~IX~~ Enskilda Bank has been repeatedly connected with large black market operations in various foreign currencies, including dollars reported to have been dumped by the Germans.

~~X~~ Marcus Wallenberg participated in the creation of the voting trust whereby voting control of SKF Industries was conveyed to William L. Batt as trustee.

- A. The Wallenberg Holding Company owns 2½ percent of the common stock of SKF Industries in Philadelphia. It is the second largest minority holder.
- B. Jacob Wallenberg is the director of Swedish SKF and represents the Wallenberg interest.

~~XI~~  
XI In 1940 when Marcus Wallenberg was in the United States he indicated great concern about the possibility that the

United States might block Swedish assets. In this connection he indicated to Mr. Cochran that if the United States does block Swedish assets, Wallenberg's concerns will endeavor to operate in this hemisphere through a Panamanian corporation which they already have and also through a New York buying and selling corporation.

MEMORANDUM FOR THE FILES  
OF THE SAFEHAVEN MEETING OF DECEMBER 22, 1944

PARTICIPANTS: Messrs. Baker, Cummings, Rubin and Grassweller - State;  
Mr. Homer - FEA; Messrs. Fisher, Hartwig and Feig - Treasury.

Follow-up to Bretton Woods Note of October 2

Treasury presented for consideration drafts of two proposed notes to the neutral governments as follow-ups to the Bretton Woods note of October 2. One note was addressed to Sweden, while the other was addressed to the remaining neutrals. Discussion centered principally around the Swedish note inasmuch as the current Swedish war trade negotiations in London had focused attention on Sweden. For purposes of background, the following developments had occurred within the past week:

- (1) The Swedes had been asked to include, as part of the war trade agreement, a general declaration of willingness to implement Resolution VI; and
- (2) In a reply to our London Embassy's request, we had refused permission for the FEA negotiators in London to discuss with the Swedes specific Safehaven desiderata, inasmuch as neither FEA nor State was prepared to press for their acceptance as a prerequisite to conclusion of the war trade agreement. We suggested, instead, a direct approach to the Swedish Government by means of our proposed note.

Inasmuch as the war trade agreement, containing the general declaration regarding Resolution VI, had not yet been signed by the Swedish Government, the group felt that it would be inopportune to present to the Swedish Government at this time a note such as proposed by Treasury. It was tentatively agreed, however, that the Treasury note or something comparable to it should be utilized immediately after the trade agreement is signed. Treasury then suggested the urgency of submitting a follow-up note to the other neutral governments, none of which had yet given any positive indication that they intend to take cognizance of and implement the objectives of Resolution VI. FEA was in general agreement with Treasury's proposed note, although it wished to suggest several modifications. State, however, in the person of Mr. Rubin, opposed our note on the grounds that:

- (1) presentation of notes, particularly one as general in substance as ours, is not an effective technique, inasmuch as the neutral governments would have no difficulty in evading a direct and forthright reply;
- (2) if notes are to be utilized, they should be tailored to the needs and circumstances relevant to each individual government; and

- (3) Instead of presenting notes, we should utilize bargaining opportunities, such as war trade negotiations and other pressure media, to attain our objectives.

We expressed our agreement in principle with Mr. Rubin's views but contended that:

- (1) Although Treasury favors the idea of taking advantage of specific bargaining opportunities to accomplish certain objectives, we had found from experience that other agencies were too often unprepared to press such opportunities to the full; at any rate, we are always prepared to consider this approach.
- (2) Treasury's proposed note has the advantage of asking for a reply, a feature which was lacking in the October 2 note; furthermore, an evasive reply would be relatively difficult, inasmuch as our note is specific with regard to the questions to be answered.
- (3) Presentation of our proposed note would be the logical result of the neutrals' failure to act on the October 2 note.
- (4) Presentation of our note would in no way prejudice any further approach we may wish to make to the neutrals; in fact, it would give us a stronger basis for arguing in future negotiations with the neutrals that they had been put on affirmative notice concerning the requisite means for implementing resolution VI.

Notwithstanding our arguments, neither AEA nor State was prepared to voice any final decisions on our proposed notes, but expressed a desire to consider the matter further. They also thought it would be desirable to await word from Stockholm as to whether the trade agreement, including the Resolution VI declaration, had been signed, inasmuch as the relative report might contain some valuable information which would be helpful in our approach to the other neutrals. It is proposed to raise this matter again at the earliest opportune moment.

#### Division of Responsibility for Collection of Safehaven Information

In Airgram A-1273, October 19, our London embassy had suggested that it should serve as the coordination center for safehaven matters in Europe. As reported in Mr. Fisher's memorandum of December 18, the safehaven agencies had agreed, with certain minor reservations, to London's suggestion. We subsequently received another message, I-10638, December 7, 1944, from London, raising the question of "division of responsibility" between the British and ourselves regarding the collection of safehaven information, and referring to the feeling of HQS that "the U.S. would have primary responsibility in the

Eastern Hemisphere while the British perhaps should have primary responsibility in the European Hemisphere, an arrangement similar to that which has existed for blacklisting." As indicated in my memorandum of December 13, it had been agreed to advise London that we were strongly opposed to any such division of responsibility. A reply agreed upon by XSA and State was opposed by Treasury on the grounds that it was too weak and did not indicate either clearly or forcefully enough our distaste for the suggested division of responsibility. We submitted a substitute draft reply which expressed categorical opposition to any division of responsibility along hemispheric lines. After some discussion, a compromise reply was agreed upon (Copy is attached as exhibit A). Before giving final clearance, however, Treasury insisted that, inasmuch as XSA and State were adamant about including in this reply certain views concerning London's designation as coordination center for the Eastern Hemisphere (raised in A-1273), State should prepare a detailed reply to A-1273. We contended that such a reply is necessary in order that we have available as a matter of record, for present and future reference, our Government's views concerning the scope, functions, responsibilities, etc., of the London Embassy in its capacity as coordination center. State agreed to draft the necessary reply to A-1273 and to incorporate a reference thereto in the attached reply to London.

#### Wallenberg and the Suez Canal Bank

Recent despatches received from Sweden have consistently referred to close relations between our Stockholm Legation and Mr. Marcus Wallenberg, head of the Suez Canal Bank. These messages have indicated that Wallenberg is being consulted by the Legation on various Suez Canal matters and that he is being helpful to the Legation. Mr. Baker, apparently from first hand experience, felt that Wallenberg and the Suez Canal Bank, because of their past activities, are not to be trusted and he suggested that the following cable be despatched as a State-Treasury-NSA message to the Legation:

"In view of rather persistent evidence of close connection of Wallenberg and Suez Canal Bank with German financial and industrial matters, and prevalent suspicions of their collaboration and/or connivance in facilitating major German capital operations in Sweden, it would appear highly inappropriate and inadvisable for us to seek their cooperation or accept their advice in Suez Canal matters. Reference your 4842 of December 2, 4 p.m. Their readiness to lend assistance should be scrutinized in the light of their past activities."

The proposed cable evoked a rather violent reaction from each of the State representatives who felt that, not only would it be impossible to get any such message through the Department of State, but that there is no evidence of recent date (since 1942) to support the statements made therein. Mr. Baker contended that Treasury had previously been consulted with respect to the Suez Canal Bank and it had been agreed at that time that there was no real case against the Bank. Furthermore, Mr. Baker stated that it had been determined that since 1942 Wallenberg has been actively on the Allied side and has given considerable assistance to the Allied cause. In reply to a direct question concerning a study made by XSA, Mr. Homer stated that he didn't believe that

there exists sufficient evidence to support the statements contained in the proposed cable. As a result, we agreed to withdraw the proposed cable, at least for the time being.

cc: Mr. Schmidt  
Mrs. A. Shvartz  
Mr. Fisher  
Mr. Moskowitz  
Mr. Gilbert  
Mr. Hartwig  
Mr. Olson

Reply to London's 10838, December 7, 1944

Reference your 10838, December 7, 1944. We are now in the process of compiling an inventory of German-controlled or owned firms in Argentina. If the British wish to await completion of our inventory, we will be pleased to make a copy available to them, and we will welcome any suggestions for additions, deletions or amendments which they may wish to make.

In view of our vital and direct interest in preventing Germany from building up its post war economic and military potential, we do not believe it desirable to divide between the British and ourselves "primary responsibility" in the Eastern and Western hemispheres. Our direct interest will lead us to participate fully in gathering of information in all countries. However, we agree that London should be the primary point of contact between the British and the U.S. for the Eastern Hemisphere. (Details and comments will follow on your A-1273, October 19, 1944). We are, of course, in favor of a full exchange of information with the British both in London and in the field. Also, we are arranging for information gathered by our missions in the Eastern Hemisphere being sent to London as well as Washington. The possible establishment of "spheres of influence" in this project, however, is not (repeat not) regarded favorably here.



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# TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE Jan. 8, 1945

TO Secretary Morgenthau

FROM Charles Bell *pull*

The following items were cleared immediately following the nine-thirty staff meeting on January 8:

(1) The Secretary approved the promotion of Isadore G. Alk to the position of Chief Counsel of Foreign Funds Control and signed a letter to Mr. Alk.

(2) The Secretary was informed that the House Appropriations Committee would commence Treasury hearings on January 15 at 10:00 a.m. and that Mr. Schoeneman was preparing the usual annual message of the Secretary on the budget. It was further indicated that Mr. Schoeneman was including a reference to the Treasury Department's attitude on cash awards to employees, which would be followed by legislation later.

(3) The Secretary signed a letter complimenting James J. Saxon on his work abroad and indicated that he would like to hand the letter to Mr. Saxon with a ceremony upon Mr. Saxon's return.

(4) The Secretary signed a deferment for Robert J. Graham, Bureau of the Mint machinist.

(5) The Secretary authorized me to approve Robert J. Widmann's promotion in the Procurement Division.

(6) The Secretary indicated that he would like to hand Mr. George Landick a letter on his retirement after forty years of service.

(7) The Secretary indicated that he wished all telegrams not Treasury business dispatched by him to be paid for from his personal account.

(8) The Secretary signed an order authorizing Thomas J. Lynch, Assistant General Counsel, to be Acting General Counsel in the absence of Joe O'Connell.

(9) The Secretary indicated approval of what had been done with respect to a chauffeur for Governor Lehman.

(10) The Secretary requested further information respecting the request of Mr. McReynolds to have his secretary put on the Internal Revenue pay roll.

(11) The Secretary indicated approval of a policy of having wives accompany husbands on European missions and instructed me to cancel Under Secretary Hanes' order of 1938 prohibiting this. The Secretary further instructed me to give Treasury personnel the most liberal travel allowance consistent with the travel allowance given by the State Department to its employees, which schedule was prepared jointly by the State Department and the Bureau of the Budget. The Secretary indicated that any assignment in excess of six months could be regarded as a permanent assignment, but when told that the State Department regarded any assignment in excess of a year as a permanent assignment, he instructed me again to pattern our regulations after the State Department procedure. The Secretary does not want Treasury personnel to ship automobiles to Europe at this time.

Travel abroad was cleared for Matthew J. Marks, Oscar Banzer, and John S. Nicoll of Foreign Funds Control, and for Charles D. Glendinning of Monetary Research.

*o.k.*  
*Mr. H.*



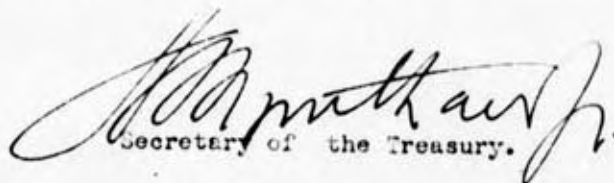
## TREASURY DEPARTMENT

WASHINGTON

January 8, 1945

ORDER

In the absence of the General Counsel for the Treasury Department, Mr. Thomas J. Lynch, Assistant General Counsel, is hereby designated to serve as Acting General Counsel.

  
Secretary of the Treasury.



61  
January 8, 1945  
11:18 a.m.

HMJr: Hello.

John  
Pehle: Yes, sir.

HMJr: John.

P: Yeah.

HMJr: It has been recommended that a man by the name  
of Isadore Alk -- A-l-k -- become General Counsel  
of Foreign Funds.

P: Yes, sir.

HMJr: Do you think well of that?

P: Yeah, very much.

HMJr: You do?

P: He's a very reliable and trust-worthy man with a  
lot of experience.

HMJr: Fine.

P: He's a good man, Mr. Secretary.

HMJr: Thank you.

P: Right.

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Memorandum of a Meeting  
January 8, 1945

Present:           The Secretary  
                  Senator Wagner, Congressmen Spence and Wolcott  
                  Judge Winson and Mr. Acheson  
                  Messrs. White, O'Connell, Luxford and Bernstein

At luncheon, the Secretary said that the Treasury had been holding off on the Bretton Woods program until after the election because he wanted to retain the non-partisan character of the Bretton Woods agreements. The entire delegation had worked as a team at the Conference without partisan consideration, and he hoped that this same spirit would prevail in Congress. The Congressional delegates were in agreement with this policy and thought the question could be kept non-partisan in the Congress. Senator Wagner said that Senator Tobey had authorized him to say he is wholeheartedly for the program.

There was a discussion of the nature of the legislation that would be needed. Congressman Wolcott thought the best way would be to have a Joint Resolution authorizing the President to sign the agreements on behalf of the United States. The Secretary asked for the opinion of the Congressional delegates on the need for an appropriation bill as well as a bill authorizing the signing of the agreements and the appropriation of money for them. Mr. Luxford explained that the exchange stabilization fund had enough money to make the initial payments to the Fund and the Bank and that the Secretary of the Treasury could be directed in the legislation to use the exchange stabilization fund for this purpose. The additional funds that might be needed later could be authorized through the issue of securities under the Second Liberty Loan Act.

It was the opinion of Congressmen Spence and Wolcott that an appropriation bill would be preferable. The Appropriations Committee could not feel then that they were being side-tracked. The Secretary said that he wanted it done in whatever way Congress preferred, even if it meant more work. He added that any payment out of our stabilization fund in connection with the Fund and the Bank would, of course, be done only on the direction of legislation passed by Congress. This is what he told Congress he intended to do when he appeared before them when our stabilization fund was extended and he would stand by that promise.

The Secretary asked Senator Wagner whether the bill should be introduced soon. The Senator said that he expected long hearings.

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Many people will have opinions they want to express and it will probably take some time to hear all of them. The Secretary mentioned that he had had a meeting with representatives of the bankers and that he was hopeful that they would not be in outright opposition.

The Secretary inquired whether it would be desirable to have a message from the President on the Bretton Woods program. There was general agreement that such a message would be desirable. Congressman Wolcott thought that it would be especially helpful in getting the attention of the public and in securing public support. Mr. Acheson mentioned that the State Department was thinking of recommending to the President a general message dealing with foreign economic policy. The general view was that the message should not be accompanied by specific legislation, but that the legislation should be drawn in Congress.

After further discussion it was agreed that one bill should be prepared for both the Fund and the Bank. The Secretary said he would have the Treasury representatives talk over the matter with Mr. Acheson. In a few days the Treasury people would be ready to help the four Congressional delegates in connection with the legislation.

At the conclusion of the meeting the Secretary asked whether an announcement should be made of this meeting. It was agreed that the Secretary should inform the press at his conference in the afternoon that the Congressional delegates at the Bretton Woods Conference had met with him and some delegates on further steps that should be taken on the Bretton Woods program and that the Congressional delegates would soon begin to draft a bill.

*Emp*

January 8, 1945  
2:42 p.m.

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HMJr: Hello.

Grace  
Tully: Hello, Mr. Secretary. How are you today?

HMJr: Oh, on the line.

T: Well, that's good.

HMJr: And you?

T: Pretty well, thank you.

HMJr: Grace, late Friday we sent you over a letter  
to the President -- I did -- suggesting that  
he see Stettinius and myself....

T: Yes.

HMJr: .... in regard to a committee.

T: Yes.

HMJr: I've asked him to let -- you know -- to read it.

T: Uh huh.

HMJr: Now -- then, also, that the President see us.

T: Yes.

HMJr: Now, I know we've only got a couple of days this  
week to see him in.

T: Yes. Well, I gave him the letter, Mr. Secretary.  
I haven't heard anything about the appointment  
yet, but let me remind him of it.

HMJr: Well, if you could, and tell him that this is  
fairly urgent and couldn't he see us tomorrow.

T: Yes. All right, fine, I'll ask him this afternoon  
if he can do it and I'll let you know.

HMJr: Try your best.

T: Yes, sir, I will.

HMJr: I hear that the champagne is in his closet.

T: Yes, sir.

HMJr: Well, nobody could find it.

T: What?

HMJr: You remember about the apples -- he took those up once in his closet, too.

T: No, not the apples -- didn't go in his closet.

HMJr: Yes, they did, or under his bed.

T: Well, maybe, up in his bedroom, yes. They took them up in his bedroom so he could enjoy some of them and could see them and know that they had arrived.

HMJr: Yeah.

T: But we always -- we always take that special stuff, you see, and put it over in his special closet.

HMJr: He's like a squirrel.

T: Huh?

HMJr: He's like a squirrel.

T: Yes, that's right. (Laughs)

HMJr: All right.

T: All right. Bye, Mr. Secretary.

HMJr: You know what happened New Year's night -- both he and Mrs. Roosevelt said they were going to have Morgenthau champagne, but they had last year's champagne....

T: Uh huh.

HMJr: .... which we sent them a year ago.

T: Yes.



HMJr: Well, anyway, cheerio.

T: All right, fine, Mr. Secretary. Bye.

January 8, 1945  
3:55 p.m.

PRE-PRESS

Present: Mr. D. W. Bell  
Mr. Gaston  
Mr. Shaeffer  
Mr. Blough  
Mr. Coyne  
Mr. Little  
Mrs. Klotz  
Miss Chauncey

H.M.JR: Charlie, it is up to you entirely. And then they can send this out (indicating attachment A).

MR. SHAEFFER: As soon as they get back--this is the form they have, the same thing, yes, sir.

H.M.JR: I see. All right.

MR. COYNE: In response to any questions about the States, this is the one--

H.M.JR: Have they seen this (indicating attachment B)?

MR. COYNE: No. I thought they might address some questions to you. That is not a hand-out.

H.M.JR: Oh, all right.

And this is the final finish?

MR. BELL: This winds it up, yes, so far as figures are concerned.

H.M.JR: What else would there be besides figures?

MR. BELL: That is all. This would be the last statement on it. I don't think we have ever given this

out before in detail. We have given it to the State Chairmen.

MR. COYNE: Yes, in response to specific inquiries.

H.M.JR: One thing, Dan, if you would make a note-- I think you have overlooked it. I am writing a letter to the fifty odd State Chairmen thanking them, and I have written a letter to Gamble. Now, I would like to write a letter to the fellow at the other end who has done the manual work, who has gotten out the bonds and done the mailing. I don't know--

MR. BELL: You mean the Federal Reserve Banks?

H.M.JR: Hall and all those people, the head on the manual end--Treasury people.

MR. BELL: Bureau of Printing and Engraving, Public Debt Service, the Chicago office, each of the twelve Federal Reserve Banks, and the fourteen thousand commercial banks have done the issuing.

H.M.JR: Well, maybe I have to do this moving picture thing, but if you don't mind, when I am through after press I will send Coyne in to see you, and you fellows work out who, besides those I have already thanked, should get a thank-you from me.

MR. BELL: Do you want to discuss something that might come up on the Budget?

H.M.JR: It's like what they say when you take an examination, "Never study the night before."

MR. GASTON: It is a pretty good rule.

MR. BELL: I never believed in that.

H.M.JR: Harry White found out something that nobody else knows; Senator Radcliffe is a Ph. D. in history. He got it in 1901. He is Doctor Radcliffe-- got it in 1901 from Johns Hopkins.

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MR. BELL: How did he make out?

H.M.JR: And he taught school..

MR. BELL: There are lots of school teachers up there.

H.M.JR: He ended up as a United States Senator.  
That's not bad.

A

## FINAL REPORT

Sales of Securities in the Sixth War Loan,  
by Classes of Investors and by Issues

(In millions of dollars)

~~CONFIDENTIAL~~

Class of investor	Total	Savings bonds (at issue price)		Savings notes, series O	7/8% cer- tificates of indebt- edness, 12/1/45	1-1/4% Treasury notes, 9/15/47	2% Treasury bonds, 12/15/52-54	2-1/2% Treasury bonds, 3/15/66-71
		Series E	Series F and G					
Individuals, partnerships, and personal trust accounts.....	5,882	2,868	522	146	339	210	1,295	502
Corporations and other investors:								
Insurance companies.....	3,196	-	6	1	150	98	1,339	1,603
Savings banks.....	2,314	-	1	*	46	133	2,018	116
Corporations and associations.....	8,007	-	161	2,239	3,244	807	1,332	222
Building & loan and savings & loan associations.....	564	-	10	3	27	46	423	56
Dealers and brokers.....	317	-	*	*	64	54	181	18
Federal agencies and federal trust funds.....	42	-	1	*	11	4	18	8
State and local governments.....	1,299	-	18	40	524	198	333	186
Total for corporations and other investors.....	15,739	-	197	2,283	4,066	1,340	5,644	2,209
Total sales.....	21,621	2,868	719	2,429	4,405	1,550	6,939	2,711

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

January 6, 1945.

\* Less than \$500,000.

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FINAL REPORT

Comparison of Quotas and Sales of Securities in the Sixth War Loan, by States

(Dollar figures are in millions)

~~CONFIDENTIAL~~

State	Total			Individuals, partnerships, and personal trust accounts			Corporations and other investors			Series E savings bonds (at issue price)		
	Quota	Sales	Percent of quota accomplished	Quota	Sales	Percent of quota accomplished	Quota	Sales	Percent of quota accomplished	Quota	Sales	Percent of quota accomplished
Alabama.....	97	140	145	59	64	108	38	76	201	30	40	134
Arizona.....	25	37	149	15	19	125	10	19	185	8	11	136
Arkansas.....	44	64	144	28	37	131	16	27	168	17	20	118
California.....	385	491	128	173	180	104	212	311	147	102	111	109
(Northern.....)	451	595	132	202	225	111	249	371	149	115	124	108
(Southern.....)												
Colorado.....	74	96	129	37	47	126	37	49	132	19	22	114
Connecticut.....	375	622	166	91	87	95	284	536	189	51	52	101
Delaware.....	48	58	122	15	18	122	33	40	122	6	6	105
Dist. of Columbia...	94	141	150	46	54	117	48	87	182	30	35	116
Florida.....	127	161	127	71	70	99	56	91	163	31	37	118
Georgia.....	130	161	124	74	67	90	56	95	169	34	41	121
Idaho.....	23	34	148	14	19	138	9	15	161	9	12	131
Illinois.....	1,034	1,532	148	351	400	114	683	1,133	166	174	194	111
Indiana.....	239	365	152	120	132	110	119	232	195	68	75	110
Iowa.....	178	323	182	98	143	146	80	181	226	53	72	136
Kansas.....	98	143	145	63	76	121	35	66	190	38	44	115
Kentucky.....	104	161	154	55	68	124	49	92	188	27	28	102
Louisiana.....	110	146	133	56	59	106	54	87	161	31	32	105
Maine.....	53	76	143	27	25	92	26	51	195	12	14	116
Maryland.....	210	417	198	106	141	133	104	276	265	41	39	94
Massachusetts.....	706	1,021	145	173	175	101	533	846	159	87	92	106
Michigan.....	472	635	134	228	250	110	244	385	158	141	148	105
Minnesota.....	215	399	186	103	125	121	112	274	245	55	62	113
Mississippi.....	47	74	158	30	43	144	17	31	183	18	24	134
Missouri.....	276	423	153	118	139	118	158	283	179	63	68	108
Montana.....	32	50	157	17	26	154	15	24	161	10	16	160
Nebraska.....	94	133	142	52	54	104	42	79	188	31	35	113
Nevada.....	11	14	128	6	8	138	5	6	115	3	4	117
New Hampshire.....	33	73	221	12	13	111	21	60	284	7	8	119
New Jersey.....	567	975	172	181	231	127	386	745	193	94	101	108

(Continued on following page)

FINAL REPORT

Comparison of Quotas and Sales of Securities in the Sixth War Loan, by States (Cont'd)

(Dollar figures are in millions)

~~CONFIDENTIAL~~

State	Total			Individuals, partnerships, and personal trust accounts			Corporations and other investors			Series E savings bonds (at issue price)		
	Quota	Sales	Percent of quota accom- plished	Quota	Sales	Percent of quota accom- plished	Quota	Sales	Percent of quota accom- plished	Quota	Sales	Percent of quota accom- plished
New Mexico.....	15	21	139	9	11	123	6	10	164	5	7	149
New York.....	4,226	6,673	158	800	1,010	126	3,426	5,664	165	295	335	114
North Carolina.....	121	248	205	61	95	155	60	154	256	34	42	124
North Dakota.....	29	47	162	18	28	155	11	19	173	11	20	181
Ohio.....	713	1,050	147	288	302	105	425	748	176	151	167	110
Oklahoma.....	90	138	153	49	74	150	41	64	156	29	39	133
Oregon.....	107	157	147	62	63	101	45	95	210	34	41	120
Pennsylvania.....	938	1,299	138	370	422	114	568	876	154	180	204	113
Rhode Island.....	79	148	188	36	29	80	43	119	278	15	16	104
South Carolina.....	49	79	162	25	34	138	24	45	188	16	21	132
South Dakota.....	29	47	162	19	24	126	10	23	230	11	15	134
Tennessee.....	117	220	188	61	74	122	56	146	261	30	36	120
Texas.....	414	592	143	225	272	121	189	320	169	105	126	120
Utah.....	34	56	165	18	23	126	16	34	210	12	14	115
Vermont.....	24	41	169	9	8	95	15	32	214	5	5	100
Virginia.....	136	248	182	69	99	143	67	149	222	38	52	137
Washington.....	177	335	189	88	106	120	89	229	258	53	65	123
West Virginia.....	69	144	209	39	68	175	30	76	254	21	23	111
Wisconsin.....	253	387	153	107	125	117	146	261	179	55	66	120
Wyoming.....	11	18	164	6	9	117	5	9	175	3	6	213
Alaska.....	3	3	139	2	2	142	1	1	133	1	2	154
Canal Zone.....	-	2	-	-	2	-	-	*	-	-	1	-
Hawaii.....	20	42	211	11	16	143	9	26	294	10	14	142
Puerto Rico.....	7	31	437	6	5	94	1	25	2,498	4	3	80
Virgin Islands.....	-	*	-	-	*	-	-	-	-	-	*	-
Unallocated.....	-	33	-	-	-14	-	-	47	-	-	-18	-
Total sales.....	14,000	21,621	154	5,000	5,882	118	9,000	15,739	175	2,500	2,868	115

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

January 6, 1945.

Note: Figures have been rounded and do not necessarily add to totals. Percentages have been computed on unrounded figures.

\* Less than \$500,000.

RANKINGS OF THE STATES IN THE SIXTH WAR LOAN  
AS MEASURED BY PERCENT OF QUOTAS ACCOMPLISHED

<u>Overall Quota</u>		<u>Quota for Individuals</u>		<u>Series E Quota</u>	
1. Puerto Rico	437%	1. West Virginia	175%	1. Wyoming	213%
2. New Hampshire	221	2. North Carolina	155	2. North Dakota	181
3. Hawaii	211	3. Wyoming	155	3. Montana	160
4. West Virginia	209	4. North Dakota	155	4. Alaska	154
5. North Carolina	205	5. Montana	154	5. New Mexico	149
6. Maryland	198	6. Oklahoma	150	6. Hawaii	142
7. Washington	189	7. Iowa	146	7. Virginia	137
8. Tennessee	188	8. Mississippi	144	8. Arizona	136
9. Rhode Island	188	9. Virginia	143	9. Iowa	136
10. Minnesota	186	10. Hawaii	143	10. South Dakota	134
11. Virginia	182	11. Alaska	142	11. Alabama	134
12. Iowa	182	12. Idaho	138	12. Mississippi	134
13. New Jersey	172	13. Nevada	138	13. Oklahoma	133
14. Vermont	169	14. South Carolina	138	14. South Carolina	132
15. Connecticut	166	15. Maryland	133	15. Idaho	131
16. Utah	165	16. Arkansas	131	16. North Carolina	124
17. Wyoming	164	17. New Jersey	127	17. Washington	123
18. South Carolina	162	18. New York	126	18. Georgia	121
19. North Dakota	162	19. Colorado	126	19. Texas	120
20. South Dakota	162	20. South Dakota	126	20. Tennessee	120
21. Mississippi	158	21. Utah	126	21. Wisconsin	120
22. New York	158	22. Arizona	125	22. Oregon	120
23. Montana	157	23. Kentucky	124	23. New Hampshire	119
24. Kentucky	154	24. New Mexico	123	24. Florida	118
25. Missouri	153	25. Delaware	122	25. Arkansas	118
26. Oklahoma	153	26. Tennessee	122	26. Nevada	117
27. Wisconsin	153	27. Minnesota	121	27. Dist. of Col.	116
28. Indiana	152	28. Texas	121	28. Maine	116
29. Dist. of Col.	150	29. Kansas	121	29. Utah	115
30. Arizona	149	30. Washington	120	30. Kansas	115
31. Illinois	148	31. Missouri	118	31. Colorado	114
32. Idaho	148	32. Wisconsin	117	32. New York	114
33. Ohio	147	33. Dist. of Col.	117	33. Nebraska	114
34. Oregon	147	34. Pennsylvania	114	34. Pennsylvania	113
35. Kansas	145	35. Illinois	114	35. Minnesota	112
36. Massachusetts	145	36. So. California	111	36. Illinois	111



RANKINGS OF THE STATES IN THE SIXTH WAR LOAN  
AS MEASURED BY PERCENT OF QUOTAS ACCOMPLISHED

<u>Overall Quota</u>		<u>Quota for Individuals</u>		<u>Series E Quota</u>	
1. Puerto Rico	437%	1. West Virginia	175%	1. Wyoming	213%
2. New Hampshire	221	2. North Carolina	155	2. North Dakota	181
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5. North Carolina	205	5. Montana	154	5. New Mexico	149
6. Maryland	198	6. Oklahoma	150	6. Hawaii	142
7. Washington	189	7. Iowa	146	7. Virginia	137
8. Tennessee	188	8. Mississippi	144	8. Arizona	136
9. Rhode Island	188	9. Virginia	143	9. Iowa	136
10. Minnesota	186	10. Hawaii	143	10. South Dakota	134
11. Virginia	182	11. Alaska	142	11. Alabama	134
12. Iowa	182	12. Idaho	138	12. Mississippi	134
13. New Jersey	172	13. Nevada	138	13. Oklahoma	133
14. Vermont	169	14. South Carolina	138	14. South Carolina	132
15. Connecticut	166	15. Maryland	133	15. Idaho	131
16. Utah	165	16. Arkansas	131	16. North Carolina	124
17. Wyoming	164	17. New Jersey	127	17. Washington	123
18. South Carolina	162	18. New York	126	18. Georgia	121
19. North Dakota	162	19. Colorado	126	19. Texas	120
20. South Dakota	162	20. South Dakota	126	20. Tennessee	120
21. Mississippi	158	21. Utah	126	21. Wisconsin	120
22. New York	158	22. Arizona	125	22. Oregon	120
23. Montana	157	23. Kentucky	124	23. New Hampshire	119
24. Kentucky	154	24. New Mexico	123	24. Florida	118
25. Missouri	153	25. Delaware	122	25. Arkansas	118
26. Oklahoma	153	26. Tennessee	122	26. Nevada	117
27. Wisconsin	153	27. Minnesota	121	27. Dist. of Col.	116
28. Indiana	152	28. Texas	121	28. Maine	116
29. Dist. of Col.	150	29. Kansas	121	29. Utah	115
30. Arizona	149	30. Washington	120	30. Kansas	115
31. Illinois	148	31. Missouri	118	31. Colorado	114
32. Idaho	148	32. Wisconsin	117	32. New York	114
33. Ohio	147	33. Dist. of Col.	117	33. Nebraska	113
34. Oregon	147	34. Pennsylvania	114	34. Pennsylvania	113
35. Kansas	145	35. Illinois	114	35. Minnesota	113
36. Massachusetts	145	36. So. California	111	36. Illinois	111

<u>Overall Quota</u>		<u>Quota for Individuals</u>		<u>Series E Quota</u>	
37. Alabama	145%	37. New Hampshire	111%	37. West Virginia	111%
38. Arkansas	144	38. Indiana	110	38. Ohio	110
39. Texas	143	39. Michigan	110	39. Indiana	110
40. Maine	143	40. Alabama	108	40. No. California	109
41. Nebraska	142	41. Louisiana	106	41. Missouri	108
42. New Mexico	139	42. Ohio	105	42. New Jersey	108
43. Alaska	139	43. Nebraska	104	43. So. California	108
44. Pennsylvania	138	44. No. California	104	44. Massachusetts	106
45. Michigan	134	45. Massachusetts	101	45. Michigan	105
46. Louisiana	133	46. Oregon	101	46. Delaware	105
47. So. California	132	47. Florida	99	47. Louisiana	105
48. Colorado	129	48. Connecticut	95	48. Rhode Island	104
49. Nevada	128	49. Vermont	95	49. Kentucky	102
50. No. California	128	50. Puerto Rico	94	50. Connecticut	101
51. Florida	127	51. Maine	92	51. Vermont	100
52. Georgia	124	52. Georgia	90	52. Maryland	94
53. Delaware	122	53. Rhode Island	80	53. Puerto Rico	80

Used at press conference 1/8/45

RANKINGS OF THE STATES IN THE SIXTH WAR LOAN  
AS MEASURED BY PERCENT OF QUOTAS ACCOMPLISHED

<u>Overall Quota</u>		<u>Quota for Individuals</u>		<u>Series E Quota</u>	
1. Puerto Rico	437%	1. West Virginia	175%	1. Wyoming	213%
2. New Hampshire	221	2. North Carolina	155	2. North Dakota	181
3. Hawaii	211	3. Wyoming	155	3. Montana	160
4. West Virginia	209	4. North Dakota	155	4. Alaska	154
5. North Carolina	205	5. Montana	154	5. New Mexico	149
6. Maryland	198	6. Oklahoma	150	6. Hawaii	142
7. Washington	189	7. Iowa	146	7. Virginia	137
8. Tennessee	188	8. Mississippi	144	8. Arizona	136
9. Rhode Island	188	9. Virginia	143	9. Iowa	136
10. Minnesota	186	10. Hawaii	143	10. South Dakota	134
11. Virginia	182	11. Alaska	142	11. Alabama	134
12. Iowa	182	12. Idaho	138	12. Mississippi	134
13. New Jersey	172	13. Nevada	138	13. Oklahoma	133
14. Vermont	169	14. South Carolina	138	14. South Carolina	132
15. Connecticut	166	15. Maryland	133	15. Idaho	131
16. Utah	165	16. Arkansas	131	16. North Carolina	124
17. Wyoming	164	17. New Jersey	127	17. Washington	123
18. South Carolina	162	18. New York	126	18. Georgia	121
19. North Dakota	162	19. Colorado	126	19. Texas	120
20. South Dakota	162	20. South Dakota	126	20. Tennessee	120
21. Mississippi	158	21. Utah	126	21. Wisconsin	120
22. New York	158	22. Arizona	125	22. Oregon	120
23. Montana	157	23. Kentucky	124	23. New Hampshire	119
24. Kentucky	154	24. New Mexico	123	24. Florida	118
25. Missouri	153	25. Delaware	122	25. Arkansas	118
26. Oklahoma	153	26. Tennessee	122	26. Nevada	117
27. Wisconsin	153	27. Minnesota	121	27. Dist. of Col.	116
28. Indiana	152	28. Texas	121	28. Maine	116
29. Dist. of Col.	150	29. Kansas	121	29. Utah	115
30. Arizona	149	30. Washington	120	30. Kansas	115
31. Illinois	148	31. Missouri	118	31. Colorado	114
32. Idaho	148	32. Wisconsin	117	32. New York	114
33. Ohio	147	33. Dist. of Col.	117	33. Nebraska	113
34. Oregon	147	34. Pennsylvania	114	34. Pennsylvania	113
35. Kansas	145	35. Illinois	114	35. Minnesota	113
36. Massachusetts	145	36. So. California	111	36. Illinois	111

-2-

<u>Overall Quota</u>		<u>Quota for Individuals</u>		<u>Series E Quota</u>	
37. Alabama	145%	37. New Hampshire	111%	37. West Virginia	111%
38. Arkansas	144	38. Indiana	110	38. Ohio	110
39. Texas	143	39. Michigan	110	39. Indiana	110
40. Maine	143	40. Alabama	108	40. No. California	109
41. Nebraska	142	41. Louisiana	106	41. Missouri	108
42. New Mexico	139	42. Ohio	105	42. New Jersey	108
43. Alaska	139	43. Nebraska	104	43. So. California	108
44. Pennsylvania	138	44. No. California	104	44. Massachusetts	106
45. Michigan	134	45. Massachusetts	101	45. Michigan	105
46. Louisiana	133	46. Oregon	101	46. Delaware	105
47. So. California	132	47. Florida	99	47. Louisiana	105
48. Colorado	129	48. Connecticut	95	48. Rhode Island	104
49. Nevada	128	49. Vermont	95	49. Kentucky	102
50. No. California	128	50. Puerto Rico	94	50. Connecticut	101
51. Florida	127	51. Maine	92	51. Vermont	100
52. Georgia	124	52. Georgia	90	52. Maryland	94
53. Delaware	122	53. Rhode Island	80	53. Puerto Rico	80

FINAL REPORT

Sales of Securities in the Sixth War Loan,  
by Classes of Investors and by Issues

(In millions of dollars)

~~CONFIDENTIAL~~

Class of investor	Total	Savings bonds (at issue price)		Savings notes, series 0	7/8% cer- tificates of indebt- edness, 12/1/45	1-1/4% Treasury notes, 9/15/47	2% Treasury bonds, 12/15/52-54	2-1/2% Treasury bonds, 3/15/66-71
		Series E	Series F and G					
Individuals, partnerships, and personal trust accounts.....	5,882	2,868	522	146	339	210	1,295	502
Corporations and other investors:								
Insurance companies.....	3,196	-	6	1	150	98	1,339	1,603
Savings banks.....	2,314	-	1	*	46	133	2,018	116
Corporations and associations.....	8,007	-	161	2,239	3,244	807	1,332	222
Building & loan and savings & loan associations.....	564	-	10	3	27	46	423	56
Dealers and brokers.....	317	-	*	*	64	54	181	18
Federal agencies and federal trust funds.....	42	-	1	*	11	4	18	8
State and local governments.....	1,299	-	18	40	524	198	333	186
Total for corporations and other investors.....	15,739	-	197	2,283	4,066	1,340	5,644	2,209
Total sales.....	21,621	2,868	719	2,429	4,405	1,550	6,939	2,711

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

January 6, 1945.

\* Less than \$500,000.

FINAL REPORT

Comparison of Quotas and Sales of Securities in the Sixth War Loan, by States

(Dollar figures are in millions)

~~CONFIDENTIAL~~

State	Total			Individuals, partnerships, and personal trust accounts			Corporations and other investors			Series E savings bonds (at issue price)		
	Quota	Sales	Percent of quota accom- plished	Quota	Sales	Percent of quota accom- plished	Quota	Sales	Percent of quota accom- plished	Quota	Sales	Percent of quota accom- plished
Alabama.....	97	140	145	59	64	108	38	76	201	30	40	134
Arizona.....	25	37	149	15	19	125	10	19	185	8	11	136
Arkansas.....	44	64	144	28	37	131	16	27	168	17	20	118
California (Northern.....)	385	491	128	173	180	104	212	311	147	102	111	109
California (Southern.....)	451	595	132	202	225	111	249	371	149	115	124	108
Colorado.....	74	96	129	37	47	126	37	49	132	19	22	114
Connecticut.....	375	622	166	91	87	95	284	536	189	51	52	101
Delaware.....	48	58	122	15	18	122	33	40	122	6	6	105
Dist. of Columbia....	94	141	150	46	54	117	48	87	182	30	35	116
Florida.....	127	161	127	71	70	99	56	91	163	31	37	118
Georgia.....	130	161	124	74	67	90	56	95	169	34	41	121
Idaho.....	23	34	148	14	19	138	9	15	161	9	12	131
Illinois.....	1,034	1,532	148	351	400	114	683	1,133	166	174	194	111
Indiana.....	239	365	152	120	132	110	119	232	195	68	75	110
Iowa.....	178	323	182	98	143	146	80	181	226	53	72	136
Kansas.....	98	143	145	63	76	121	35	66	190	38	44	115
Kentucky.....	104	161	154	55	68	124	49	92	188	27	28	102
Louisiana.....	110	146	133	56	59	106	54	87	161	31	32	105
Maine.....	53	76	143	27	25	92	26	51	195	12	14	116
Maryland.....	210	417	198	106	141	133	104	276	265	41	39	94
Massachusetts.....	706	1,021	145	173	175	101	533	846	159	87	92	106
Michigan.....	472	635	134	228	250	110	244	385	158	141	148	105
Minnesota.....	215	399	186	103	125	121	112	274	245	55	62	113
Mississippi.....	47	74	158	30	43	144	17	31	183	18	24	134
Missouri.....	276	423	153	118	139	118	158	283	179	63	68	108
Montana.....	32	50	157	17	26	154	15	24	161	10	16	160
Nebraska.....	94	133	142	52	54	104	42	79	188	31	35	113
Nevada.....	11	14	128	6	8	138	5	6	115	3	4	117
New Hampshire.....	33	73	221	12	13	111	21	60	284	7	8	119
New Jersey.....	567	975	172	181	231	127	386	745	193	94	101	108

(Continued on following page)

FINAL REPORT

Comparison of Quotas and Sales of Securities in the Sixth War Loan, by States (Cont'd)

(Dollar figures are in millions)

~~CONFIDENTIAL~~

State	Total			Individuals, partnerships, and personal trust accounts			Corporations and other investors			Series E savings bonds (at issue price)		
	Quota	Sales	Percent of quota accom- plished	Quota	Sales	Percent of quota accom- plished	Quota	Sales	Percent of quota accom- plished	Quota	Sales	Percent of quota accom- plished
New Mexico.....	15	21	139	9	11	123	6	10	164	5	7	149
New York.....	4,226	6,673	158	800	1,010	126	3,426	5,664	165	295	335	114
North Carolina.....	121	248	205	61	95	155	60	154	256	34	42	124
North Dakota.....	29	47	162	18	28	155	11	19	173	11	20	181
Ohio.....	713	1,050	147	288	302	105	425	748	176	151	167	110
Oklahoma.....	90	138	153	49	74	150	41	64	156	29	39	133
Oregon.....	107	157	147	62	63	101	45	95	210	34	41	120
Pennsylvania.....	938	1,299	138	370	422	114	568	876	154	180	204	113
Rhode Island.....	79	148	188	36	29	80	43	119	278	15	16	104
South Carolina.....	49	79	162	25	34	138	24	45	188	16	21	132
South Dakota.....	29	47	162	19	24	126	10	23	230	11	15	134
Tennessee.....	117	220	188	61	74	122	56	146	261	30	36	120
Texas.....	414	592	143	225	272	121	189	320	169	105	126	120
Utah.....	34	56	165	18	23	126	16	34	210	12	14	115
Vermont.....	24	41	169	9	8	95	15	32	214	5	5	100
Virginia.....	136	248	182	69	99	143	67	149	222	38	52	137
Washington.....	177	335	189	88	106	120	89	229	258	53	65	123
West Virginia.....	69	144	209	39	68	175	30	76	254	21	23	111
Wisconsin.....	253	387	153	107	125	117	146	261	179	55	66	120
Wyoming.....	11	18	164	6	9	155	5	9	175	3	6	213
Alaska.....	3	3	139	2	2	142	1	1	133	1	2	154
Canal Zone.....	-	2	-	-	2	-	-	•	-	-	1	-
Hawaii.....	20	42	211	11	16	143	9	26	294	10	14	142
Puerto Rico.....	7	31	437	6	5	94	1	25	2,498	4	3	80
Virgin Islands.....	-	•	-	-	•	-	-	-	-	-	•	-
Unallocated.....	-	33	-	-	-14	-	-	47	-	-	-18	-
Total sales.....	14,000	21,621	154	5,000	5,882	118	9,000	15,739	175	2,500	2,868	115

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

January 6, 1945.

Note: Figures have been rounded and do not necessarily add to totals. Percentages have been computed on unrounded figures.

• Less than \$500,000.

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FINAL REPORT

Sales of Securities in the Sixth War Loan,  
by Classes of Investors and by Issues

(In millions of dollars)

Class of investor	Total	Savings bonds (at issue price)		Savings notes, series O	7/8% cer- tificates of indebt- edness, 12/1/45	1-1/4% Treasury notes, 9/15/47	2% Treasury bonds, 12/15/52-54	2-1/2% Treasury bonds, 3/15/66-71
		Series E	Series F and G					
Individuals, partnerships, and personal trust accounts.....	5,882	2,868	522	146	339	210	1,295	502
Corporations and other investors:								
Insurance companies.....	3,196	-	6	1	150	98	1,339	1,603
Savings banks.....	2,314	-	1	*	46	133	2,018	116
Corporations and associations.....	8,007	-	161	2,239	3,244	807	1,332	222
Building & loan and savings & loan associations.....	564	-	10	3	27	46	423	56
Dealers and brokers.....	317	-	*	*	64	54	181	18
Federal agencies and federal trust funds.....	42	-	1	*	11	4	18	8
State and local governments.....	1,299	-	18	40	524	198	333	186
Total for corporations and other investors.....	15,739	-	197	2,283	4,066	1,340	5,644	2,209
Total sales.....	21,621	2,868	719	2,429	4,405	1,550	6,939	2,711

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

January 6, 1945.

\* Less than \$500,000.

Regraded Unclassified



FINAL REPORT

Comparison of Quotas and Sales of Securities in the Sixth War Loan, by States

(Dollar figures are in millions)

State	Total			Individuals, partnerships, and personal trust accounts			Corporations and other investors			Series E savings bonds (at issue price)		
	Quota	Sales	Percent of quota accomplished	Quota	Sales	Percent of quota accomplished	Quota	Sales	Percent of quota accomplished	Quota	Sales	Percent of quota accomplished
Alabama.....	97	140	145	59	64	108	38	76	201	30	40	134
Arizona.....	25	37	149	15	19	125	10	19	185	8	11	136
Arkansas.....	44	64	144	28	37	131	16	27	168	17	20	118
California (Northern.....)	385	491	128	173	180	104	212	311	147	102	111	109
California (Southern.....)	451	595	132	202	225	111	249	371	149	115	124	108
Colorado.....	74	96	129	37	47	126	37	49	132	19	22	114
Connecticut.....	375	622	166	91	87	95	284	536	189	51	52	101
Delaware.....	48	58	122	15	18	122	33	40	122	6	6	105
Dist. of Columbia....	94	141	150	46	54	117	48	87	182	30	35	116
Florida.....	127	161	127	71	70	99	56	91	163	31	37	118
Georgia.....	130	161	124	74	67	90	56	95	169	34	41	121
Idaho.....	23	34	148	14	19	138	9	15	161	9	12	131
Illinois.....	1,034	1,532	148	351	400	114	683	1,133	166	174	194	111
Indiana.....	239	365	152	120	132	110	119	232	195	68	75	110
Iowa.....	178	323	182	98	143	146	80	181	226	53	72	136
Kansas.....	98	143	145	63	76	121	35	66	190	38	44	115
Kentucky.....	104	161	154	55	68	124	49	92	188	27	28	102
Louisiana.....	110	146	133	56	59	106	54	87	161	31	32	105
Maine.....	53	76	143	27	25	92	26	51	195	12	14	116
Maryland.....	210	417	198	106	141	133	104	276	265	41	39	94
Massachusetts.....	706	1,021	145	173	175	101	533	846	159	87	92	106
Michigan.....	472	635	134	228	250	110	244	385	158	141	148	105
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Mississippi.....	47	74	158	30	43	144	17	31	183	18	24	134
Missouri.....	276	423	153	118	139	118	158	283	179	63	68	108
Montana.....	32	50	157	17	26	154	15	24	161	10	16	160
Nebraska.....	94	133	142	52	54	104	42	79	188	31	35	113
Nevada.....	11	14	128	6	8	138	5	6	115	3	4	117
New Hampshire.....	33	73	221	12	13	111	21	60	284	7	8	119
New Jersey.....	567	975	172	181	231	127	386	745	193	94	101	108

(Continued on following page)

FINAL REPORT

Comparison of Quotas and Sales of Securities in the Sixth War Loan, by States (Cont'd)

(Dollar figures are in millions)

State	Total			Individuals, partnerships, and personal trust accounts			Corporations and other investors			Series E savings bonds (at issue price)		
	Quota	Sales	Percent of quota accom- plished	Quota	Sales	Percent of quota accom- plished	Quota	Sales	Percent of quota accom- plished	Quota	Sales	Percent of quota accom- plished
New Mexico.....	15	21	139	9	11	123	6	10	164	5	7	149
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North Carolina.....	121	248	205	61	95	155	60	154	256	34	42	124
North Dakota.....	29	47	162	18	28	155	11	19	173	11	20	181
Ohio.....	713	1,050	147	288	302	105	425	748	176	151	167	110
Oklahoma.....	90	138	153	49	74	150	41	64	156	29	39	133
Oregon.....	107	157	147	62	63	101	45	95	210	34	41	120
Pennsylvania.....	938	1,299	138	370	422	114	568	876	154	180	204	113
Rhode Island.....	79	148	188	36	29	80	43	119	278	15	16	104
South Carolina.....	49	79	162	25	34	138	24	45	188	16	21	132
South Dakota.....	29	47	162	19	24	126	10	23	230	11	15	134
Tennessee.....	117	220	188	61	74	122	56	146	261	30	36	120
Texas.....	414	592	143	225	272	121	189	320	169	105	126	120
Utah.....	34	56	165	18	23	126	16	34	210	12	14	115
Vermont.....	24	41	169	9	8	95	15	32	214	5	5	100
Virginia.....	136	248	182	69	99	143	67	149	222	38	52	137
Washington.....	177	335	189	88	106	120	89	229	258	53	65	123
West Virginia.....	69	144	209	39	68	175	30	76	254	21	23	111
Wisconsin.....	253	387	153	107	125	117	146	261	179	55	66	120
Wyoming.....	11	18	164	6	9	155	5	9	175	3	6	213
Alaska.....	3	3	139	2	2	142	1	1	133	1	2	154
Canal Zone.....	-	2	-	-	2	-	-	*	-	-	1	-
Hawaii.....	20	42	211	11	16	143	9	26	294	10	14	142
Puerto Rico.....	7	31	437	6	5	94	1	25	2,498	4	3	80
Virgin Islands.....	-	*	-	-	*	-	-	-	-	-	*	-
Unallocated.....	-	33	-	-	-14	-	-	47	-	-	-18	-
Total sales.....	14,000	21,621	154	5,000	5,882	118	9,000	15,739	175	2,500	2,868	115

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

January 6, 1945.

Note: Figures have been rounded and do not necessarily add to totals. Percentages have been computed on unrounded figures.

\* Less than \$500,000.

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House

January 8, 1945.

Memorandum

TO: Secretary Morgenthau  
FROM: Mr. Gaston

I attach a mimeographed copy of the President's message on the state of the Union as issued by the White House on Saturday. This I have marked to indicate our contributions.

At the bottom of page 13 of the message appears our Insert A just as written and submitted.

On page 14 the second paragraph is a revision of our Insert B, which as we submitted it read: "The Federal Government must assume responsibility for seeing to it that these rights become realities." Since Mr. Blough and I saw the message on Friday morning the paragraph has been changed to read: "The Federal Government must see to it that these rights become realities - with the help of States, municipalities, business, labor and agriculture." Note that the primary change is from "must assume the responsibility for seeing to it" to "must see to it" and the added words, which indicate that the responsibility is one which the Federal Government shares with local governments and with private enterprise in general, has the effect of softening materially our original statement.

In the 8th paragraph on page 14, just below the middle of the page, the words "for new small enterprises" have been added. In the first draft this paragraph read: "During the war we have guaranteed investment in enterprise essential to the war effort. We should adopt similar devices in peacetime to secure opportunities for productive business expansion for which finance would otherwise be unavailable." In the draft we saw at the White House on Friday the second sentence had been modified by substituting "We would also take appropriate measures in peacetime" for the words "We should adopt similar devices in peacetime". This softening of the original language made our Insert C, which appears as the next succeeding two paragraphs in the

message, much more important. However, in the message as finally released the third paragraph of our Insert C was omitted. This was the paragraph about Bretton Woods, which read as follows: "We must expand our foreign Trade. Important progress to this end was achieved at the Bretton Woods Conference last year. The adoption by Congress of the Bretton Woods Agreements will be proposed by me at an early date."

On page 15 of the message as released the third, fourth and fifth paragraphs are our Insert F, except for two slight changes which Mr. Blough and I made Friday morning and except for the fact that the final sentence of our proposed insert was dropped and did not appear in any draft. The sentence was unimportant. It read: "Broad markets are needed to sustain high production and employment and so long as consumption is taxed heavily we cannot attain our fullest employment and business opportunities." This merely reinforced the statement in the preceding sentence and was evidently regarded as unnecessary.

VP

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January 6, 1945

CONFIDENTIAL: To be held in STRICT CONFIDENCE and no portion, synopsis or intimation to be given out or published until the READING of the President's Message has begun in either the Senate or House of Representatives. Extreme care must therefore be exercised to avoid premature publication.

STEPHEN EARLY  
Secretary to the President

-----  
TO THE CONGRESS OF THE UNITED STATES:

In considering the state of the Union, the war, and the peace that is to follow, are naturally uppermost in the minds of all of us.

This war must be waged -- it is being waged -- with the greatest and most persistent intensity. Everything we are and have is at stake. Everything we are and have will be given. American men, fighting far from home, have already won victories which the world will never forget.

We have no question of the ultimate victory. We have no question of the cost. Our losses will be heavy.

We and our Allies will go on fighting together to ultimate total victory.

We have seen a year marked, on the whole, by substantial progress toward victory, even though the year ended with a set-back for our arms, when the Germans launched a ferocious counter-attack into Luxembourg and Belgium with the obvious objective of cutting our line in the center.

Our men have fought with indescribable and unforgettable gallantry under most difficult conditions, and our German enemies have sustained considerable losses while failing to obtain their objectives.

The high tide of this German effort was reached two days after Christmas. Since then we have reassumed the offensive, rescued the isolated garrison at Bastogne, and forced a German withdrawal along the whole line of the salient. The speed with which we recovered from this savage attack was largely possible because we have one Supreme Commander in complete control of all the Allied armies in France. General Eisenhower has faced this period of trial with admirable calm and resolution and with steadily increasing success. He has my complete confidence.

Further desperate attempts may well be made to break our lines, to slow our progress. We must never make the mistake of assuming that the Germans are beaten until the last Nazi has surrendered.

And I would express another most serious warning against the poisonous effects of enemy propaganda.

The wedge that the Germans attempted to drive in Western Europe was less dangerous in actual terms of winning the war than the wedges which they are continually attempting to drive between ourselves and our Allies.

(OVER)

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Every little rumor which is intended to weaken our faith in our Allies is like an actual enemy agent in our midst -- seeking to sabotage our war effort. There are, here and there, evil and baseless rumors against the Russians -- rumors against the British -- rumors against our own American commanders in the field.

When you examine these rumors closely, you will observe that every one of them bears the same trademark -- "Made in Germany."

We must resist this divisive propaganda -- we must destroy it -- with the same strength and the same determination that our fighting men are displaying as they resist and destroy the panzer divisions.

In Europe, we shall resume the attack and -- despite temporary setbacks here or there -- we shall continue the attack relentlessly until Germany is completely defeated.

It is appropriate at this time to review the basic strategy which has guided us through three years of war, and which will lead, eventually, to total victory.

The tremendous effort of the first years of this war was directed toward the concentration of men and supplies in the various theatres of action at the points where they could hurt our enemies most.

It was an effort -- in the language of the military men -- of deployment of our forces. Many battles -- essential battles -- were fought; many victories -- vital victories -- were won. But these battles and these victories were fought and won to hold back the attacking enemy, and to put us in positions from which we and our Allies could deliver the final, decisive blows.

In the beginning, our most important military task was to prevent our enemies -- the strongest and most violently aggressive powers that ever have threatened civilization -- from winning decisive victories. But even while we were conducting defensive, delaying actions, we were looking forward to the time when we could wrest the initiative from our enemies and place our superior resources of men and materials into direct competition with them.

It was plain then that the defeat of either enemy would require the massing of overwhelming forces -- ground, sea and air -- in positions from which we and our Allies could strike directly against the enemy homelands, and destroy the Nazi and Japanese war machines.

In the case of Japan, we had to await the completion of extensive preliminary operations -- operations designed to establish secure supply lines through the Japanese outer-zone defenses. This called for overwhelming sea power and air power -- supported by ground forces strategically employed against isolated outpost garrisons.

Always -- from the very day we were attacked -- it was right militarily as well as morally to reject the arguments of those shortsighted people who would have had us throw Britain and Russia to the Nazi wolves and concentrate against the Japanese. Such people urged that we fight a purely defensive war against Japan while allowing the domination of all the rest of the world by Nazism and Fascism.

In the European theatre, the necessary bases for the massing of ground and air power against Germany were already available in Great Britain. In the Mediterranean area we could begin ground operations against major elements of the German Army as rapidly as we could put troops in the field, first in North Africa and then in Italy.

Therefore, our decision was made to concentrate the bulk of our ground and air forces against Germany until her utter defeat. That decision was based on all these factors; and it was also based on the realization that, of our two enemies, Germany would be more able to digest quickly her conquests, the more able quickly to convert the manpower and resources of her conquered territory into a war potential.

We had in Europe two active and indomitable Allies -- Britain and the Soviet Union -- and there were also the heroic resistance movements in the occupied countries, constantly engaging and harrassing the Germans.

We cannot forget how Britain held the line, alone, in 1940 and 1941; and at the same time, despite ferocious bombardment from the air, built up a tremendous armaments industry which enabled her to take the offensive at El Alamein in 1942.

We cannot forget the heroic defense of Moscow and Leningrad and Stalingrad, or the tremendous Russian offensives of 1943 and 1944 which destroyed formidable German armies.

Nor can we forget how, for more than seven long years, the Chinese people have been sustaining the barbarous attacks of the Japanese and containing large enemy forces on the vast areas of the Asiatic mainland.

In the future we must never forget the lesson that we have learned -- that we must have friends who will work with us in peace as they have fought at our side in war.

As a result of the combined effort of the Allied forces, great military victories were achieved in 1944: the liberation of France, Belgium, Greece and parts of the Netherlands, Norway, Poland, Yugoslavia and Czechoslovakia; the surrender of Rumania and Bulgaria; the invasion of Germany itself and Hungary; the steady march through the Pacific Islands to the Philippines, Guam and Saipan; and the beginnings of a mighty air offensive against the Japanese Islands.

Now, as this seventy-ninth Congress meets, we have reached the most critical phase of the war.

The greatest victory of the last year was, of course, the successful breach on June 6, 1944, of the German "impregnable" sea wall of Europe and the victorious sweep of the Allied forces through France and Belgium and Luxembourg -- almost to the Rhine itself.

The cross channel invasion of the Allied armies was the greatest amphibious operation in the history of the world. It overshadowed all other operations in this or any other war in its immensity. Its success is a tribute to the fighting courage of the soldiers who stormed the beaches -- to the sailors and merchant seamen who put the soldiers ashore and kept them supplied -- and to the military and naval leaders who achieved a real miracle of planning and execution. And it is also a tribute to the ability of two nations, Britain and America, to plan together, and work together, and fight together in perfect cooperation and perfect harmony.

This cross channel invasion was followed in August by a second great amphibious operation, landing troops in Southern France. In this, the same cooperation and the same harmony existed between the American, French and other Allied forces based in North Africa and Italy.

The success of the two invasions is a tribute also to the ability of many men and women to maintain silence, when a few careless words would have imperilled the lives of hundreds of thousands, and would have jeopardized the whole vast undertakings.

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These two great operations were made possible by success in the Battle of the Atlantic.

Without this success over German submarines, we could not have built up our invasion forces or air forces in Great Britain, nor could we have kept a steady stream of supplies flowing to them after they had landed in France.

The Axis, however, may succeed in improving their submarines and their crews. They have recently increased their U-boat activity. The Battle of the Atlantic -- like all campaigns in this war -- demands eternal vigilance. But the British, Canadian and other Allied Navies, together with our own, are constantly on the alert.

The tremendous operations in Western Europe have overshadowed in the public mind the less spectacular but vitally important Italian front. Its place in the strategic conduct of the war in Europe has been obscured, and -- by some people, unfortunately -- underrated.

It is important that any misconception on that score be corrected -- now.

What the Allied forces in Italy are doing is a well-considered part in our strategy in Europe, now aimed at only one objective -- the total defeat of the Germans. These valiant forces in Italy are continuing to keep a substantial portion of the German Army under constant pressure -- including some twenty first-line German divisions and the necessary supply and transport and replacement troops -- all of which our enemies need so badly elsewhere.

Over very difficult terrain and through adverse weather conditions, our Fifth Army and the British Eighth Army -- reinforced by units from other United Nations, including a brave and well-equipped unit of the Brazilian Army -- have, in the past year, pushed north through bloody Cassino and the Anzio beachhead, and through Rome until now they occupy heights overlooking the valley of the Po.

The greatest tribute which can be paid to the courage and fighting ability of these splendid soldiers in Italy is to point out that although their strength is about equal to that of the Germans they oppose, the Allies have been continuously on the offensive.

That pressure, that offensive, by our troops in Italy will continue.

The American people -- and every soldier now fighting in the Apennines -- should remember that the Italian front has not lost any of the importance which it had in the days when it was the only Allied front in Europe.

In the Pacific during the past year, we have conducted the fastest-moving offensive in the history of modern warfare. We have driven the enemy back more than 3,000 miles across the Central Pacific.

A year ago, our conquest of Tarawa was a little more than a month old.

A year ago, we were preparing for our invasion of Kwajalein, the second of our great strides across the Central Pacific to the Philippines.

A year ago, General MacArthur was still fighting in New Guinea almost 1500 miles from his present position in the Philippine Islands.



We now have firmly established bases in the Mariana Islands from which our Superfortresses bomb Tokyo itself -- and will continue to blast Japan in ever-increasing numbers.

Japanese forces in the Philippines have been cut in two. There is still hard fighting ahead -- costly fighting. But the liberation of the Philippines will mean that Japan has been largely cut off from her conquest in the East Indies.

The landing of our troops on Leyte was the largest amphibious operation thus far conducted in the Pacific.

Moreover, these landings drew the Japanese fleet into the first great sea battle which Japan has risked in almost two years. Not since the night engagements around Guadalcanal in November-December, 1942, had our Navy been able to come to grips with major units of the Japanese fleet. We had brushed against their fleet in the first battle of the Philippine Sea in June, 1944, but not until last October were we able really to engage a major portion of the Japanese navy in actual combat. The naval engagement which raged for three days was the heaviest blow ever struck against Japanese sea power.

As the result of that battle, much of what is left of the Japanese fleet has been driven behind the screen of islands that separates the Yellow Sea, the China Sea, and the Sea of Japan from the Pacific.

Our Navy looks forward to any opportunity which the lords of the Japanese Navy will give us to fight them again.

The people of this nation have a right to be proud of the courage and fighting ability of the men in the armed forces -- on all fronts. They also have a right to be proud of American leadership which has guided their sons into battle.

The history of the generalship of this war has been a history of teamwork and cooperation, of skill and daring. Let me give you one example out of last year's operations in the Pacific.

Last September Admiral Halsey led American Naval task forces into Philippine waters and north to the East China Sea, and struck heavy blows at Japanese air and sea power.

At that time, it was our plan to approach the Philippines by further stages, taking islands which we may call A, C and E. However, Admiral Halsey reported that a direct attack on Leyte appeared feasible. When General MacArthur received the reports from Admiral Halsey's task forces, he also concluded that it might be possible to attack the Japanese in the Philippines directly -- by-passing islands A, C and E.

Admiral Nimitz thereupon offered to make available to General MacArthur several divisions which had been scheduled to take the intermediate objectives. These discussions, conducted at great distances, all took place in one day.

General MacArthur immediately informed the Joint Chiefs of Staff here in Washington that he was prepared to initiate plans for an attack on Leyte in October. Approval of the change in plan was given on the same day.

Thus, within the space of twenty-four hours, a major change of plans was accomplished which involved Army and Navy forces from two different theaters of operations -- a change which hastened the liberation of the Philippines and the final day of victory -- a change which saved lives which would have been expended in the capture of islands which are now neutralized far behind our lines.

Our over-all strategy has not neglected the important task of rendering all possible aid to China. Despite almost insuperable difficulties, we increased this aid during 1944. At present our aid to China must be accomplished by air transport -- there is no other way. By the end of 1944, the Air Transport Command was carrying into China a tonnage of supplies three times as great as that delivered a year ago, and much more, each month, than the Burma road ever delivered at its peak.

Despite the loss of important bases in China, the tonnage delivered by air transport has enabled General Chennault's Fourteenth Air Force, which includes many Chinese flyers, to wage an effective and aggressive campaign against the Japanese. In 1944, aircraft of the Fourteenth Air Force flew more than 35,000 sorties against the Japanese and sank enormous tonnage of enemy shipping, greatly diminishing the usefulness of the China Sea lanes.

British, Dominion and Chinese forces together with our own have not only held the line in Burma against determined Japanese attacks but have gained bases of considerable importance to the supply line into China.

The Burma campaigns have involved incredible hardship, and have demanded exceptional fortitude and determination. The officers and men who have served with so much devotion in these far distant jungles and mountains deserve high honor from their countrymen.

In all of the far-flung operations of our own armed forces -- on land, and sea and in the air -- the final job, the toughest job, has been performed by the average, easy-going, hard-fighting young American who carries the weight of battle on his own shoulders.

It is to him that we and all future generations of Americans must pay grateful tribute.

But -- it is of small satisfaction to him to know that monuments will be raised to him in the future. He wants, he needs, and he is entitled to insist upon, our full and active support -- now.

Although unprecedented production figures have made possible our victories, we shall have to increase our goals even more in certain items.

Peak deliveries of supplies were made to the War Department in December 1943. Due in part to cut-backs, we have not produced as much since then. Deliveries of Army supplies were down by 15 percent by July 1944, before the upward trend was once more resumed.

Because of increased demands from overseas, the Army Service Forces in the month of October, 1944, had to increase its estimate of required production by 10 percent. But in November, one month later, the requirements for 1945 had to be increased another 10 percent, sending the production goal well above anything we have yet attained. Our armed forces in combat have steadily increased their expenditure of medium and heavy artillery ammunition. As we continue the decisive phases of this war, the munitions that we expend will mount day by day.

In October, 1944, while some were saying the war in Europe was over, the Army was shipping more men to Europe than in any previous month of the war.

One of the most urgent immediate requirements of the armed forces is more nurses. Last April the Army requirement for nurses was set at 50,000. Actual strength in nurses was then 40,000. Since that time the Army has tried to raise the additional 10,000. Active recruiting has been carried on, but the net gain in eight months has been only 2,000. There are now 42,000 nurses in the Army.

Recent estimates have increased the total number needed to 60,000. That means that 18,000 more nurses must be obtained for the Army alone and the Navy now requires 2,000 additional nurses.

The present shortage of Army nurses is reflected in undue strain on the existing force. More than a thousand nurses are now hospitalized, and part of this is due to overwork. The shortage is also indicated by the fact that eleven Army hospital units have been sent overseas without their complement of nurses. At Army hospitals in the United States there is only one nurse to twenty-six beds, instead of the recommended one to fifteen beds.

It is tragic that the gallant women who have volunteered for service as nurses should be so overworked. It is tragic that our wounded men should ever want for the best possible nursing care.

The inability to get the needed nurses for the Army is not due to any shortage of nurses. 280,000 registered nurses are now practicing in this country. It has been estimated by the War Manpower Commission that 27,000 additional nurses could be made available to the armed forces without interfering too seriously with the needs of the civilian population for nurses.

Since volunteering has not produced the number of nurses required, I urge that the Selective Service Act be amended to provide for the induction of nurses into the armed forces. The need is too pressing to await the outcome of further efforts at recruiting.

The care and treatment given to our wounded and sick soldiers have been the best known to medical science. Those standards must be maintained at all costs. We cannot tolerate a lowering of them by failure to provide adequate nursing for the brave man who stands desperately in need of it.

In the continuing progress of this war we have constant need for new types of weapons. For we cannot afford to fight the war of today or tomorrow with the weapons of yesterday. For example, the American Army now has developed a new tank with a gun more powerful than any yet mounted on a fast-moving vehicle. The Army will need many thousands of these new tanks in 1945.

Almost every month finds some new development in electronics which must be put into production in order to maintain our technical superiority -- and in order to save lives. We have to work every day to keep ahead of the enemy in radar. On D-Day, in France, with our superior new equipment, we located and then put out of operation every warning set which the Germans had along the French coast.

If we do not keep constantly ahead of our enemies in the development of new weapons, we pay for our backwardness with the life's blood of our sons.

The only way to meet these increased needs for new weapons and more of them is for every American engaged in war work to stay on his war job -- for additional American civilians, men and women, not engaged in essential work, to

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go out and get a war job. Workers who are released because their production is cut back should get another job where production is being increased. This is no time to quit or change to less essential jobs.

There is an old and true saying that the Lord hates a quitter. And this nation must pay for all those who leave their essential jobs -- or all those who lay down on their essential jobs for non-essential reasons. And -- again -- that payment must be made with the life's blood of our sons.

Many critical production programs with sharply rising needs are now seriously hampered by manpower shortages. The most important army needs are artillery, ammunition, cotton duck, bombs, tires, tanks, heavy trucks and even B-29's. In each of these vital programs, present production is behind requirements.

Navy production of bombardment ammunition is hampered by manpower shortages; so is production for its huge rocket program. Labor shortages have also delayed its cruiser and carrier programs, and production of certain types of aircraft.

There is critical need for more repair workers and repair parts; this lack delays the return of damaged fighting ships to their places in the fleet, and prevents ships now in the fighting line from getting needed overhauling.

The pool of young men under 26 classified as 1-A is almost depleted. Increased replacements for the armed forces will take men now deferred who are at work in ~~war industry~~. The armed forces must have an assurance of a steady flow of young men for replacements. Meeting this ~~paramount need~~ will be difficult, and will also make it progressively more difficult to attain the 1945 production goals.

Last year, after much consideration, I recommended that the Congress adopt a national service act as the most efficient and democratic way of insuring full production for our war requirements. This recommendation was not adopted.

I now again call upon the Congress to enact this measure for the total mobilization of all our human resources for the prosecution of the war. I urge that this be done at the earliest possible moment.

It is not too late in the war. In fact, bitter experience has shown that in this kind of mechanized warfare where new weapons are constantly being created by our enemies and by ourselves, the closer we come to the end of the war, the more pressing becomes the need for sustained war production with which to deliver the final blow to the enemy.

There are three basic arguments for a National Service Law.

First -- it would assure that we have the right numbers of workers in the right places at the right times.

Second - it would provide supreme proof to all our fighting men that we are giving them what they are entitled to, which is nothing less than our total effort.

And --third -- it would be the final, unequivocal answer to the hopes of the Nazis and the Japanese that we may become half-hearted about this war and that they can get from us a negotiated peace.

National Service legislation would make it possible to put ourselves in a position to assure certain and speedy action in meeting our manpower needs.

It would be used only to the extent absolutely required by military necessities. In fact, experience in Great Britain and in other nations at war indicates that use of the compulsory powers of national service is necessary only in rare instances.

This proposed legislation would provide against loss of retirement and seniority rights and benefits. It would not mean reduction in wages.

In adopting such legislation, it is not necessary to discard the voluntary and cooperative processes which have prevailed up to this time. This cooperation has already produced great results. The contribution of our workers to the war effort has been beyond measure. We must build on the foundations that have already been laid and supplement the measures now in operation, in order to guarantee the production that may be necessary in the critical period that lies ahead.

At the present time we are using the inadequate tools at hand to do the best we can by such expedients as manpower ceilings, and the use of priority and other powers, to induce men and women to shift from non-essential to essential war jobs.

I am in receipt of a joint letter from the Secretary of War and the Secretary of the Navy, dated January 3, 1945, which says:

"With the experience of three years of war and after the most thorough consideration, we are convinced that it is now necessary to carry out the statement made by the Congress in the joint resolutions declaring that a state of war existed with Japan and Germany: that 'to bring the conflict to a successful conclusion, all of the resources of the country are hereby pledged by the Congress of the United States.'

"In our considered judgment, which is supported by General Marshall and Admiral King, this requires total mobilization of our manpower by the passage of a national war service law. The armed forces need this legislation to hasten the day of final victory, and to keep to a minimum the cost in lives.

"National war service, the recognition by law of the duty of every citizen to do his or her part in winning the war, will give complete assurance that the need for war equipment will be filled. In the coming year we must increase the output of many weapons and supplies on short notice. Otherwise we shall not keep our production abreast of the swiftly changing needs of war. At the same time it will be necessary to draw progressively many men now engaged in war production to serve with the armed forces, and their places in war production must be filled promptly. These developments will require the addition of hundreds of thousands to those already working in war industry. We do not believe that these needs can be met effectively under present methods.

"The record made by management and labor in war industry has been a notable testimony to the resourcefulness and power of America. The needs are so great, nevertheless, that in many instances we have been forced to recall soldiers and sailors from military duty to do work of a civilian character in war production, because of the urgency of the need for equipment and because of inability to recruit civilian labor."

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Pending action by the Congress on the broader aspects of national service, I recommend that the Congress immediately enact legislation which will be effective in using the services of the 4,000,000 men now classified as 4-F in whatever capacity is best for the war effort.

In the field of foreign policy, we propose to stand together with the United Nations not for the war alone but for the victory for which the war is fought.

It is not only a common danger which unites us but a common hope. Ours is an association not of governments but of peoples -- and the peoples' hope is peace. Here, as in England; in England, as in Russia; in Russia, as in China; in France, and through the continent of Europe, and throughout the world; wherever men love freedom, the hope and purpose of the people are for peace -- a peace that is durable and secure.

It will not be easy to create this peoples' peace. We delude ourselves if we believe that the surrender of the armies of our enemies will make the peace we long for. The unconditional surrender of the armies of our enemies is the first and necessary step -- but the first step only.

We have seen already, in areas liberated from the Nazi and the Fascist tyranny, what problems peace will bring. And we delude ourselves if we attempt to believe wishfully that all these problems can be solved overnight.

The firm foundation can be built -- and it will be built. But the continuance and assurance of a living peace must, in the long run, be the work of the people themselves.

We ourselves, like all peoples who have gone through the difficult processes of liberation and adjustment, know of our own experience how great the difficulties can be. We know that they are not difficulties peculiar to any continent or any nation. Our own Revolutionary War left behind it, in the words of one American historian, "an eddy of lawlessness and disregard of human life." There were separatist movements of one kind or another in Vermont, Pennsylvania, Virginia, Tennessee, Kentucky and Maine. There were insurrections, open or threatened, in Massachusetts and New Hampshire. These difficulties we worked out for ourselves as the peoples of the liberated areas of Europe, faced with complex problems of adjustment, will work out their difficulties for themselves.

Peace can be made and kept only by the united determination of free and peace-loving peoples who are willing to work together -- willing to help one another -- willing to respect and tolerate and try to understand one another's opinions and feelings.

The nearer we come to vanquishing our enemies the more we inevitably become conscious of differences among the victors.

We must not let these differences divide us and blind us to our more important common and continuing interests in winning the war and building the peace.

International cooperation on which enduring peace must be based is not a one way street.

Nations like individuals do not always see alike or think alike, and international cooperation and progress are not helped by any nation assuming that it has a monopoly of wisdom or of virtue.

In the future world, the misuse of power, as implied in the term "power-politics", must not be a controlling factor in international relations. That is the heart of the principles to which we have subscribed. We cannot deny that power is a factor in world politics any more than we can deny its existence as a factor in national politics. But in a democratic world, as in a democratic nation, power must be linked with responsibility, and obliged to defend and justify itself within the framework of the general good.

Perfectionism, no less than isolationism or imperialism or power politics may obstruct the paths to international peace. Let us not forget that the retreat to isolationism a quarter of a century ago was started not by a direct attack against international cooperation, but against the alleged imperfections of the peace.

In our disillusionment after the last war, we preferred international anarchy to international cooperation with nations which did not see and think exactly as we did. We gave up the hope of gradually achieving a better peace because we had not the courage to fulfil our responsibilities in an admittedly imperfect world.

We must not let that happen again, or we shall follow the same tragic road again -- the road to a third world war.

We can fulfil our responsibilities for maintaining the security of our own country only by exercising our power and our influence to achieve the principles in which we believe and for which we have fought.

In August, 1941, Prime Minister Churchill and I agreed to the principles of the Atlantic Charter, these being later incorporated into the Declaration by United Nations of January 1, 1942. At that time certain isolationists protested vigorously against our right to proclaim the principles -- and against the very principles themselves. Today, many of the same people are protesting against the possibility of violation of the same principles.

It is true that the statement of principles in the Atlantic Charter does not provide rules of easy application to each and every one of this war-torn world's tangled situations. But it is a good and a useful thing -- it is an essential thing -- to have principles toward which we can aim.

And we shall not hesitate to use our influence -- and to use it now -- to secure so far as is humanly possible the fulfilment of the principles of the Atlantic Charter. We have not shrunk from the military responsibilities brought on by this war. We cannot and will not shrink from the political responsibilities which follow in the wake of battle.

I do not wish to give the impression that all mistakes can be avoided and that many disappointments are not inevitable in the making of peace. But we must not this time lose the hope of establishing an international order which will be capable of maintaining peace and realizing through the years more perfect justice between nations.

To do this we must be on our guard not to exploit and exaggerate the differences between us and our Allies, particularly with reference to the peoples who have been liberated from fascist tyranny. That is not the way to secure a better settlement of those differences or to secure international machinery which can rectify mistakes which may be made.

I should not be frank if I did not admit concern about many situations -- the Greek and Polish for example. But those situations are not as easy or as simple to deal with as some spokesmen, whose sincerity I do not question, would have us believe. We have obligations, not necessarily legal, to the exiled governments, to the underground leaders and to our major Allies who came much nearer the shadows than we did.

We and our Allies have declared that it is our purpose to respect the right of all peoples to choose the form of government under which they will live and to see sovereign rights and self-government restored to those who have been forcibly deprived of them. But with internal dissension, with many citizens of liberated countries still prisoners of war or forced to labor in Germany, it is difficult to guess the kind of self-government the people really want.

During the interim period, until conditions permit a genuine expression of the people's will, we and our Allies have a duty, which we cannot ignore, to use our influence to the end that no temporary or provisional authorities in the liberated countries block the eventual exercise of the peoples' right freely to choose the government and institutions under which, as free men, they are to live.

It is only too easy for all of us to rationalize what we want to believe, and to consider those leaders we like responsible and those we dislike irresponsible. And our task is not helped by stubborn partisanship, however understandable, on the part of opposed internal factions.

It is our purpose to help the peace-loving peoples of Europe to live together as good neighbors, to recognize their common interests and not to nurse their traditional grievances against one another.

But we must not permit the many specific and immediate problems of adjustment connected with the liberation of Europe to delay the establishment of permanent machinery for the maintenance of peace. Under the threat of a common danger, the United Nations joined together in war to preserve their independence and their freedom. They must now join together to make secure the independence and freedom of all peace-loving states, so that never again shall tyranny be able to divide and conquer.

International peace and well-being, like national peace and well-being, require constant alertness, continuing cooperation, and organized effort.

International peace and well-being, like national peace and well-being, can be secured only through institutions capable of life and growth.

Many of the problems of the peace are upon us even now while the conclusion of the war is still before us. The atmosphere of friendship and mutual understanding and determination to find a common ground of common understanding, which surrounded the conversations at Dumbarton Oaks, gives us reason to hope that future discussions will succeed in developing the democratic and fully integrated world security system toward which these preparatory conversations were directed.

We and the other United Nations are going forward, with vigor and resolution, in our efforts to create such a system by providing for it strong and flexible institutions of joint and cooperative action.

The aroused conscience of humanity will not permit failure in this supreme endeavor.

We believe that the extraordinary advances in the means of inter-communication between peoples over the past generation offer a practical method of advancing the mutual understanding upon which peace and the institutions of peace must rest, and it is our policy and purpose to use these great technological achievements for the common advantage of the world.

We support the greatest possible freedom of trade and commerce.



We Americans have always believed in freedom of opportunity, and equality of opportunity remains one of the principal objectives of our national life. What we believe in for individuals, we believe in also for nations. We are opposed to restrictions, whether by public act or private arrangement, which distort and impair commerce, transit and trade.

We have house-cleaning of our own to do in this regard. But it is our hope, not only in the interest of our own prosperity but in the interest of the prosperity of the world, that trade and commerce and access to materials and markets may be freer after this war than ever before in the history of the world.

One of the most heartening events of the year in the international field has been the renaissance of the French people and the return of the French nation to the ranks of the United Nations. Far from having been crushed by the terror of Nazi domination, the French people have emerged with stronger faith than ever in the destiny of their country and in the soundness of the democratic ideals to which the French nation has traditionally contributed so greatly.

During her liberation, France has given proof of her unceasing determination to fight the Germans, continuing the heroic efforts of the resistance groups under the occupation and of all those Frenchmen throughout the world who refused to surrender after the disaster of 1940.

Today, French armies are again on the German frontier, and are again fighting shoulder to shoulder with our sons.

Since our landings in Africa, we have placed in French hands all the arms and material of war which our resources and the military situation permitted. And I am glad to say that we are now about to equip large new French forces with the most modern weapons for combat duty.

In addition to the contribution which France can make to our common victory, her liberation likewise means that her great influence will again be available in meeting the problems of peace.

We fully recognize France's vital interest in a lasting solution of the German problem and the contribution which she can make in achieving international security. Her formal adherence to the Declaration by United Nations a few days ago and the proposal at the Dumbarton Oaks discussions, whereby France would receive one of the five permanent seats in the proposed Security Council, demonstrate the extent to which France has resumed her proper position of strength and leadership.

I am clear in my own mind that, as an essential factor in the maintenance of peace in the future, we must have universal military training after this war, and I shall send a special message to the Congress on this subject.

An enduring peace cannot be achieved without a strong America -- strong in the social and economic sense as well as in the military sense.

In the State of the Union Message last year, I set forth what I considered to be an American economic Bill of Rights.

I said then, and I say now, that these economic truths represent a second bill of rights under which a new basis of security and prosperity can be established for all -- regardless of station, race or creed.

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Of these rights the most fundamental, and one on which the fulfillment of the others in large degree depends, is the "right to a useful and remunerative job in the industries or shops or farms or mines of the nation." In turn, others of the economic rights of American citizenship such as the right to a decent home, to a good education, to good medical care, to social security, to reasonable farm income, will, if fulfilled, make major contributions to achieving adequate levels of employment.

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The Federal Government must see to it that these rights become realities — with the help of States, municipalities, business, labor and agriculture.

We have had full employment during the war. We have had it because the Government has been ready to buy all the materials of war which the country could produce — and this has amounted to approximately half our present productive capacity.

After the war we must maintain full employment with Government performing its peacetime functions. This means that we must achieve a level of demand and purchasing power by private consumers — farmers, businessmen, workers, professional men, housewives — which is sufficiently high to replace wartime Government demands; and it means also that we must greatly increase our export trade above the pre-war level.

Our policy is, of course, to rely as much as possible on private enterprise to provide jobs. But the American people will not accept mass unemployment or mere makeshift work. There will be need for the work of everyone willing and able to work — and that means close to 80 million jobs.

Full employment means not only jobs — but productive jobs. Americans do not regard jobs that pay substandard wages as productive jobs.

We must make sure that private enterprise works as it is supposed to work — on the basis of initiative and vigorous competition, without the stifling presence of monopolies and cartels.

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During the war we have guaranteed investment in enterprise essential to the war effort. We should also take appropriate measures in peacetime to secure opportunities for small enterprises and for productive business expansion for which finance would otherwise be unavailable.

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This necessary expansion of our peacetime productive capacity will require new facilities, new plants and new equipment.

It will require large outlays of money which should be raised through normal investment channels. But while private capital should finance this expansion program, the Government should recognize its responsibility for sharing part of any special or abnormal risk of loss attached to such financing.

Our full-employment program requires the extensive development of our natural resources and other useful public works. The undeveloped resources of this continent are still vast. Our river-watershed projects will add new and fertile territories to the United States. The TVA, which was constructed at a cost of 750 million dollars — the cost of waging this war for less than four days — was a bargain. We have similar opportunities in our other great river basins. By harnessing the resources of these river basins, as we have in the Tennessee Valley, we shall provide the same kind of stimulus to enterprise as was provided by the Louisiana Purchase and the new discoveries in the West during the 19th century.

If we are to avail ourselves fully of the benefits of civil aviation, and if we are to use the automobiles we can produce, it will be necessary to construct thousands of airports and to overhaul our entire national highway system.

The provision of a decent home for every family is a national necessity, if this country is to be worthy of its greatness -- and that task will itself create great employment opportunities. Most of our cities need extensive rebuilding. Much of our farm plant is in a state of disrepair. To make a frontal attack on the problems of housing and urban reconstruction will require thoroughgoing cooperation between industry and labor, and the Federal, State and local governments.

An expanded social security program, and adequate health and education programs must play essential roles in a program designed to support individual productivity and mass purchasing power. I shall communicate further with the Congress on these subjects at a later date.

The millions of productive jobs that a program of this nature could bring are jobs in private enterprise. They are jobs based on the expanded demand for the output of our economy for consumption and investment. Through a program of this character we can maintain a national income high enough to provide for an orderly retirement of the public debt along with reasonable tax reduction.

Our present tax system geared primarily to war requirements must be revised for peacetime so as to encourage private demand.

While no general revision of the tax structure can be made until the war ends on all fronts, the Congress should be prepared to provide tax modifications at the end of the war in Europe, designed to encourage capital to invest in new enterprises and to provide jobs. As an integral part of this program to maintain high employment, we must, after the war is over, reduce or eliminate taxes which bear too heavily on consumption.

The war will leave deep disturbances in the world economy, in our national economy, in many communities, in many families, and in many individuals. It will require determined effort and responsible action of all of us to find our way back to peacetime, and to help others to find their way back to peacetime -- a peacetime that holds the values of the past and the promise of the future.

If we attack our problems with determination we shall succeed. And we must succeed. For freedom and peace cannot exist without security.

During the past year the American people, in a national election, reasserted their democratic faith.

In the course of that campaign, various references were made to "strife" between this Administration and the Congress, with the implication, if not the direct assertion, that this Administration and the Congress could never work together harmoniously in the service of the Nation.

It cannot be denied that there have been disagreements between the Legislative and Executive Branches -- as there have been disagreements during the past century and a half.

I think we all realize too that there are some people in this Capital City whose task is in large part to stir up disension, and to magnify normal healthy disagreements so that they appear to be irreconcilable conflicts.

But -- I think that the overall record in this respect is eloquent: the Government of the United States of America -- all branches of it -- has a good record of achievement in this war.

The Congress, the Executive, and the Judiciary have worked together for the common good.

*our  
interest  
just as  
was finally  
corrected  
it - but  
sentence  
dropped  
before  
final  
draft*

I myself want to tell you, the Members of the Senate and of the House of Representatives, how happy I am in our relationships and friendships. I have not yet had the pleasure of meeting some of the new members in each House, but I hope that opportunity will offer itself in the near future.

We have a great many problems ahead of us and we must approach them with realism and courage.

This new year of 1945 can be the greatest year of achievement in human history.

1945 can see the final ending of the Nazi-Fascist reign of terror in Europe.

1945 can see the closing in of the forces of retribution about the center of the malignant power of imperialistic Japan.

Most important of all -- 1945 can and must see the substantial beginning of the organization of world peace. This organization must be the fulfillment of the promise for which men have fought and died in this war. It must be the justification of all the sacrifices that have been made -- of all the dreadful misery that this world has endured.

We Americans of today, together with our Allies, are making history -- and I hope it will be better history than ever has been made before.

We pray that we may be worthy of the unlimited opportunities that God has given us.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE

January 6, 1945

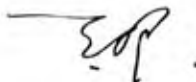
23  
THE WHITE HOUSE  
WASHINGTON

January 8, 1945

Dear Henry:

Thank you for calling my attention to the editorial in the Washington Post of January 5 and for sending me a copy of the joint statement given out by Senator George and Congressman Doughton, which I had not seen. It is very nice.

Affectionately,





TREASURY DEPARTMENT  
WASHINGTON 25



January 8, 1945

My dear Mr. Secretary:

I am inclosing a copy of the note of thanks I sent the President.

I want to take this opportunity to tell you again how much I appreciate your driving through on this. It was not pleasant for you. I am glad you think enough of me to have wanted to do it notwithstanding.

Sincerely,

*Harry D White*

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

January 8, 1945

My dear Mr. President:

I want to thank you for the high honor you have conferred on me in nominating me Assistant Secretary of the Treasury. It is needless to say that I will do everything within my power to justify your confidence in me.

Respectfully,

(sgd) HARRY D. WHITE

The President,  
The White House.

HW:ls  
1/8/45

# TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE January 8, 1945

TO Secretary Mergenthau

FROM Mr. Haag

Subject: The Business Situation,  
Week ending January 6, 1945.

## Summary

Steel supplies: Increased military demands, in the face of manpower shortages and adverse operating conditions, may make necessary a cut in steel allocations for certain civilian goods programs in the second quarter of 1945. A sustained heavy demand for steel is expected during the first half of this year, but it is estimated that a moderate increase in experienced manpower would enable the mills to meet all critical programs on schedule.

National income: Income payments declined less than seasonally in November and the annual rate rose to a new high of \$159.8 billions from \$158.2 billions in the previous month. Salaries and wages in the distributive and service industries rose to a new high for the year in November, while cash income from farm marketings showed a less than seasonal decline.

Stock market: The Dow-Jones average of 65 stocks showed a further rise of about 1 percent last week, with the industrial and railroad stock averages advancing to new highs since 1939 and 1937, respectively. Industrial stock prices in London strengthened moderately and rose to a new high since last August.

Commodity prices: With the outlook for a longer war in Europe foreshadowing increasing stress on the price stabilization program, commodity prices moved higher last week. The Dow-Jones futures index and the BLS spot index of 28 basic commodities reached new wartime highs. Similarly, the BLS general index of wholesale prices in the week ended December 30 advanced to a new peak.

Price control problems increasing: Among factors likely to increase the difficulty of price control in 1945 are: (1) tightening of civilian supplies, (2) greater propensity for spending, (3) disappearance of lower-priced goods, and (4) higher wage rates and pressure for further wage increases. Five major control problems facing the OPA were outlined by Mr. Bowles last week.

- - - -



Steel industry faces renewed pressure  
as military needs rise

Reflecting the pronounced shift in the industrial outlook in recent weeks, it now appears that the steel industry will operate under considerably more pressure in coming months than was earlier expected. New orders are reported to have increased noticeably in December, and the rising demand for steel for shells may make it necessary to cut allocations for certain civilian goods programs in the second quarter of 1945. Moreover, in the opinion of the WPB Chairman, "the steel situation for the first quarter of 1945 is as bad as it has ever been since the start of the war."

Although preliminary estimates indicate that total steel ingot production in 1944 exceeded all previous records, the tonnage produced in the latter half of the year fell below the corresponding period of 1943. However, in response to heavy recent demands, steel operations in the latter half of December held up much better than in the previous year, and in the week beginning December 17 operations were maintained above year-earlier levels for the first time since last June. Likewise, the drop in the operating rate in the Christmas holiday week was noticeably less than a year earlier. (See Chart 1, upper section.)

Steel operations last week were scheduled to rise 3.7 points to 95.8 percent of capacity, but heavy snowfall and adverse weather conditions in northern steel centers cut heavily into operating schedules. Steel operations in the Buffalo district around the middle of last week were reported to be down to only 46.5 percent of capacity as a result of a severe storm which crippled transportation facilities in the area.

Heavy inroads on coal and iron ore stocks forecast

Steel operations in the Youngstown district also dropped sharply last week as a result of an acute fuel shortage arising largely from recent severe weather. Snow and cold in the area in recent weeks have reduced coal shipments, and stocks on hand have been insufficient for the emergency. At the same time, Youngstown steel plants were reported to be encountering shortages of natural gas and fuel oil. In connection with the fuel shortages at some steel plants, it should be noted that the Solid Fuels Administrator recently warned coal-consuming industries that they will

have to dip heavily into stock piles during the winter. Moreover, all consumers have been told that they will have to conserve supplies of coal and take whatever usable fuel is made available.

Consumption of bituminous coal in December, on the basis of preliminary figures, was nearly 12 million tons greater than the 46 million ton production, and stocks on hand at the beginning of 1945 were equivalent to about 30 days' supply, as compared with 41 days' supply a month earlier.

In addition to a tight fuel supply situation, the steel industry also may be confronted with an unusually low stock of iron ore before the 1945 shipping season gets under way. Within the past few days WPB officials estimated that mill stockpiles of iron ore would be down to 16 million tons by April 1, 1945, as compared with 21 million tons a year earlier. By May 1, 1945, stockpiles are expected to be down to only 7 million tons. The Great Lakes ore shipping season in 1944 closed on November 28, which was the earliest closing date since 1919. As a result, iron ore shipments during 1944 were only 81.2 million tons as compared with 84.4 million tons in 1943 and 93.0 millions in 1942.

#### Manpower shortage dominant factor in tight steel situation

Although unusually severe weather conditions have hampered operations recently and some materials shortages may occur in coming months, the manpower shortage is the dominant factor in the tightening steel supply situation. Officials of the WPB Steel Division last week indicated that, despite the sustained demand now expected for steel in the first half of 1945, even a moderate increase in experienced manpower would enable the mills to meet all critical programs on schedule.

Meanwhile, conflicting reports are heard as to the effect of recent "work or fight" draft pronouncements, and a wide diversity of opinion exists over methods of remedying the shortage of manpower. Some labor sources continue to take exception to reports of manpower shortages, but the WMC reports that from 90,000 to 100,000 additional workers are needed in critical industries now, and the total is expected to rise to 300,000 during the next few months.

As of January 1, the WMC classified 4 more areas as acute labor shortage areas, thus raising the total to 72 as compared to 68 on December 1. The new additions to the

acute labor shortage classification are Minneapolis-St. Paul, Minnesota; Morristown, New Jersey; Patterson, New Jersey; and Borger, Texas. All of the areas mentioned are reported to be definitely behind schedule in the production of vitally important war materials.

#### Annual rate of income payments continues to rise

Due largely to the usual October to November drop in interest and dividend disbursements, total income payments in November fell below month-earlier levels but the decline was less than seasonal. As a consequence the annual rate of income payments in November rose to a new high of \$159.8 billions as compared with \$158.2 billions in October. (See Chart 2.)

Under the stimulus of the heavy seasonal expansion in retail trade, payments for wages and salaries in the distributive and service industries rose in November to a new high for the year, while Government payments for salaries and wages (including military pay) showed a further small rise to a new peak. Cash income from farm marketings in November declined less than seasonally, with the adjusted index of cash receipts for the month rising about 2 percent. Preliminary estimates indicate that cash income from farm marketings in the first 11 months of 1944 were about 6 percent above the corresponding period in 1943.

Reference to Chart 2 will disclose that all major income components, except interest and dividend payments and payments for salaries and wages in the manufacturing industries, were higher in November than a year earlier. The decline in the manufacturing group reflected a drop of 10 percent in factory employment in the past 12 months as a result of the manpower shortage and cut-backs in some lines of war work. The declines mentioned, however, were much more than offset by increased disbursements for military pay, as well as increases in cash farm income, and in salaries and wages of workers in trade and the service industries. Consequently, income payments in November were 8 percent above the November 1943 level.

#### Stock prices at new high

Stock prices continued to forge ahead to new highs last week, but considerable irregularity developed near the end of the period. The Dow-Jones average of 65 stocks at the close on Saturday was about 1 percent higher than a

week earlier. Moreover, the Dow-Jones average of industrial stocks during the week reached the highest level since 1939, while the railroad average pushed up to a new high since 1937. (See Chart 3.)

Heavy buying of railroad stocks continued to feature trading during the week, but numerous previously lagging industrial stocks came in for increased attention, presumably on lengthening war prospects. On the other hand, utility stocks continued to move in a narrow range and actually showed a small net loss for the week. Trading continued active, with transactions on the New York Exchange on Wednesday attaining the highest level since last July. Meanwhile, industrial stock prices in London strengthened moderately and at the close of the week stood at a new high since last August.

#### Commodity price indexes touch new highs

With commodity prices rising moderately last week, the Dow-Jones futures index, Moody's spot index, and the BLS index of 28 basic commodities all reached new wartime highs. Except for a period of very narrow movement in the last half of December, futures prices have shown a gradual rise since the beginning of November. (See Chart 4.) Following the 0.8 percent advance last week, the Dow-Jones futures index is now 3.0 percent above the level of November 1. The BLS basic commodity index was up 0.3 percent, making a net gain in the past two months of 1.3 percent. (See Chart 5.)

Grain prices showed noticeable increases last week, due in part to Government buying. Corn prices rose more than 5 percent, rye and oats (items not included in the basic commodity index) more than 2 percent, and wheat, a little over 1 percent. Cotton moved somewhat higher for the sixth consecutive week. Although steer prices advanced, hog prices dipped slightly below ceiling levels.

The BLS general index of wholesale prices in the week ended December 30 rose 0.1 percent to a new wartime high. (Refer to Chart 5.) At 104.7 percent of the 1926 average, the index is 1.7 percent higher than a year ago and is 39.6 percent above the pre-war August 1939 average. The recent rise in the index has been due largely to increases in the prices of farm products, with higher prices for livestock and livestock products largely responsible for the latest advance. Of interest, however, has been a marked increase in the price of quicksilver in recent months.

Following the cessation of the Government's production-encouragement buying program in January a year ago, the quicksilver price declined from \$192 per flask to a low of \$97 a few months ago. Since then, with a renewed military interest and production falling behind demand, the price has risen \$53 a flask to around \$150.

Longer war in Europe will increase pressure on price stabilization program

The prospect of a more prolonged war in Europe than had been previously expected foreshadows greater stress on the price stabilization program. Strengthening of commodity prices in recent weeks has already carried the various price indexes to new wartime highs. Steel scrap prices, which early last fall showed noticeable weakness in anticipation of the end of the war in Europe, are now back to ceiling levels. Whereas in earlier months compensating increases and decreases in commodity prices had tended to stabilize the price indexes, recently there appears to have been a general upward movement in the prices of commodities that have been below ceiling levels.

Pressure for higher prices is likely to come from several sources: (1) a tightening of civilian supplies, due to increased war requirements, at a time when consumers' incomes continue at record levels, (2) a propensity for consumers to spend more, as indicated by the record levels of retail trade in recent months, (3) continued upgrading and disappearance of lower-priced goods, (4) efforts to increase inventories, which had been allowed to decline somewhat in anticipation of the war ending in Europe, (5) pressure for wage increases, and (6) upward revisions in prices and wages to stimulate production of certain critical items. As an example of this last factor, the WLB recently granted pay increases averaging 10 cents an hour above minimum bracket rates to workers in certified foundries and forge shops, where manpower is particularly needed. Moreover, according to press reports, blanket wage increases for certain textile mills are under consideration as a means of stimulating the production of cotton duck, an item vitally needed to make tents for the Army.

Steel prices to be raised

The steel industry will be given permission to raise prices for certain products, Stabilization Director Vinson

disclosed recently in announcing approval of wage adjustments granted by the WLB to steel workers. The increases will be granted only on products upon which steel mills are sustaining losses, no general price increase for steel being contemplated. It was indicated that these increases were necessary, irrespective of the increase in wages, and that the wage increase would not require any further net rise in the general level of iron and steel prices. The OPA is reported to be making a new cost survey of steel products, and the higher steel prices are expected to be announced piece-meal beginning around February 1.

While technically the Little Steel wage formula was not broken in making the wage adjustments to steel workers, the concessions granted are expected to foreshadow demands by other labor groups for wage increases. Representatives of railroad non-operating unions are scheduled to meet this week in Chicago with representatives of the railroad companies regarding vacation concessions.

Another significant price development was the announcement by Price Administrator Bowles last week that the OPA would survey crude oil producing costs to determine whether ceiling prices were adequate. The survey is the result of a request by the Small Business Committee of the House and by various oil producers. The OPA in recent months has been granting ceiling adjustments to individual producers.

Price Administrator warns of problems facing OPA

Warning of rising inflationary pressure, Price Administrator Bowles indicated at a meeting of the American Management Association last week that a new ceiling price system on clothing would be instituted within 30 days. In contrast to a slight decline in food prices and practically no change in rents, clothing prices have risen 8 percent in the past 12 months. While no details of the OPA's clothing program were given, it will be undertaken in conjunction with the WPB, and it apparently involves the allocation of yardage to clothing manufacturers who agree to produce desired garments within specific price ranges. A plan to channel available supplies of cotton textile yardage into the manufacture of low and medium price garments most in need was announced by the WPB last week.

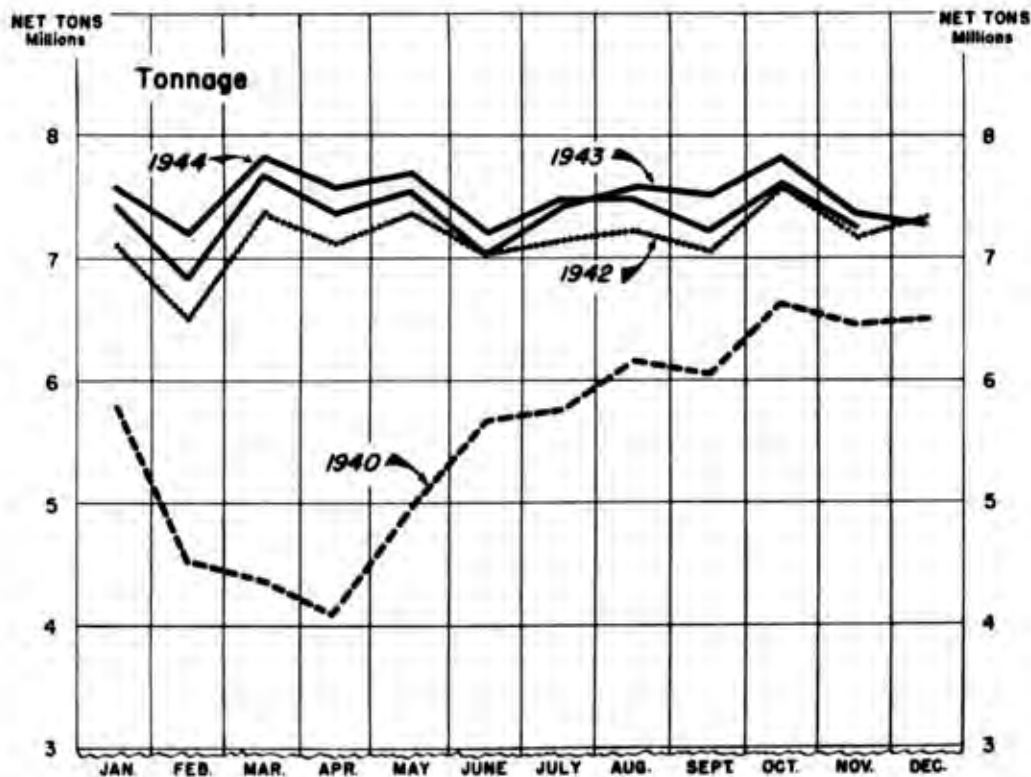
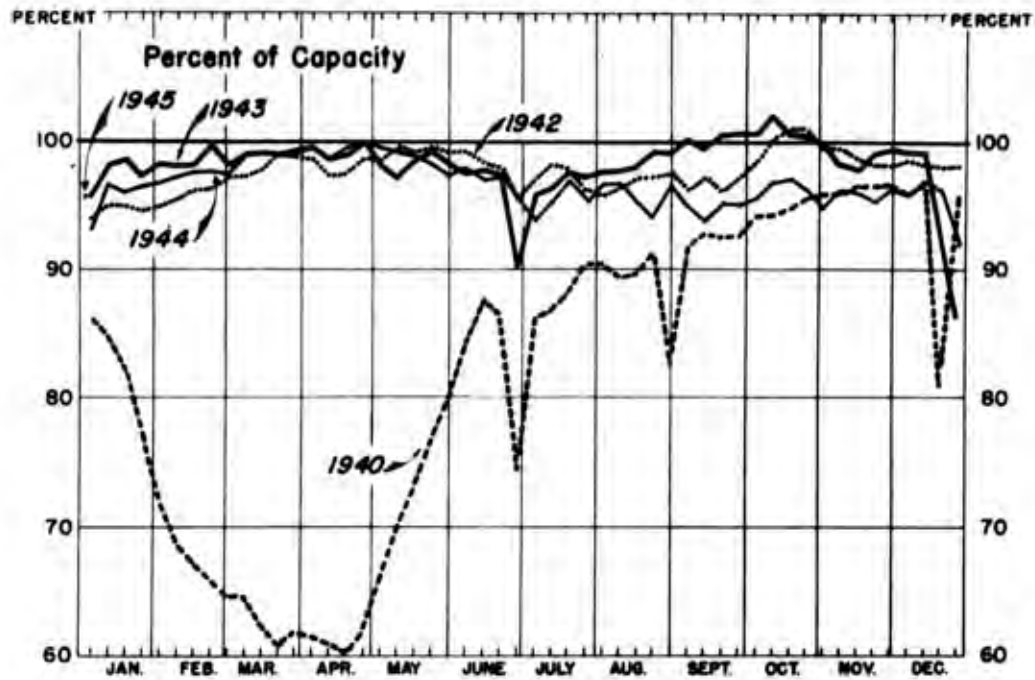
In addition to the control of clothing prices, Price Administrator Bowles outlined four other major problems

- 8 -

confronting the OPA: (1) food rationing, (2) livestock ceilings, (3) the partial absorption of cost increases by the distributive trade, and (4) reconversion pricing to hold prices at 1942 levels. Mr. Bowles commented that the OPA has felt for some time that price ceilings on live cattle were inevitable, and that prompt action would be taken in applying ceilings if the Stabilization Director should authorize such a move.

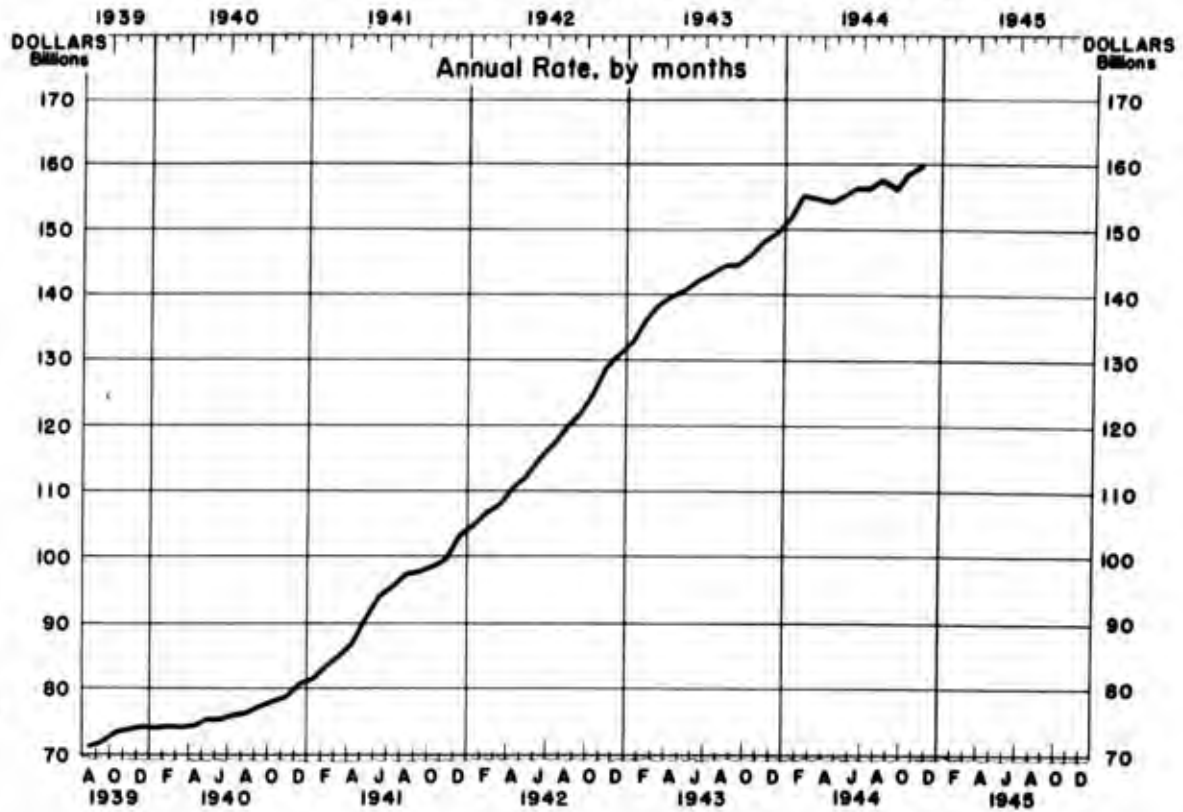
The absorption of part of production cost increases by wholesalers and retailers may become a more important factor in the reconversion period than during the war. The OPA has indicated that increased manufacturing costs of pianos, rifles, and shotguns, items which have recently gone back into production, are to be spread largely among the distributors.

# STEEL INGOT PRODUCTION

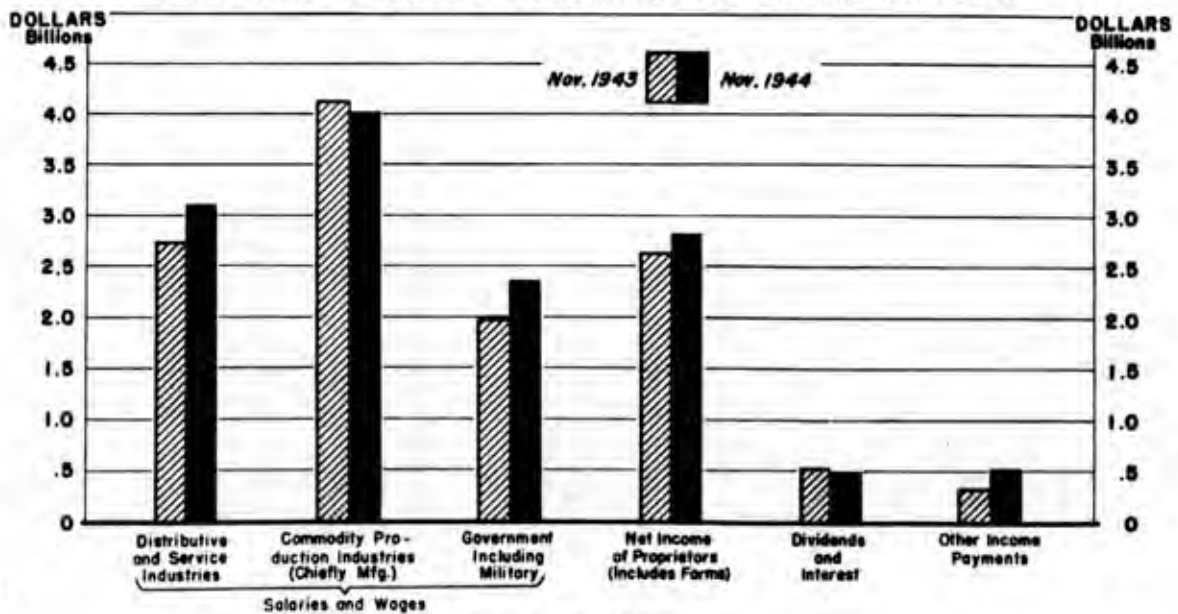




# NATIONAL INCOME PAYMENTS AND COMPONENTS



Dollar Totals for Selected Components, Nov. 1943 and Nov. 1944



Source: Department of Commerce

# STOCK PRICES, DOW-JONES AVERAGES

Daily

1944

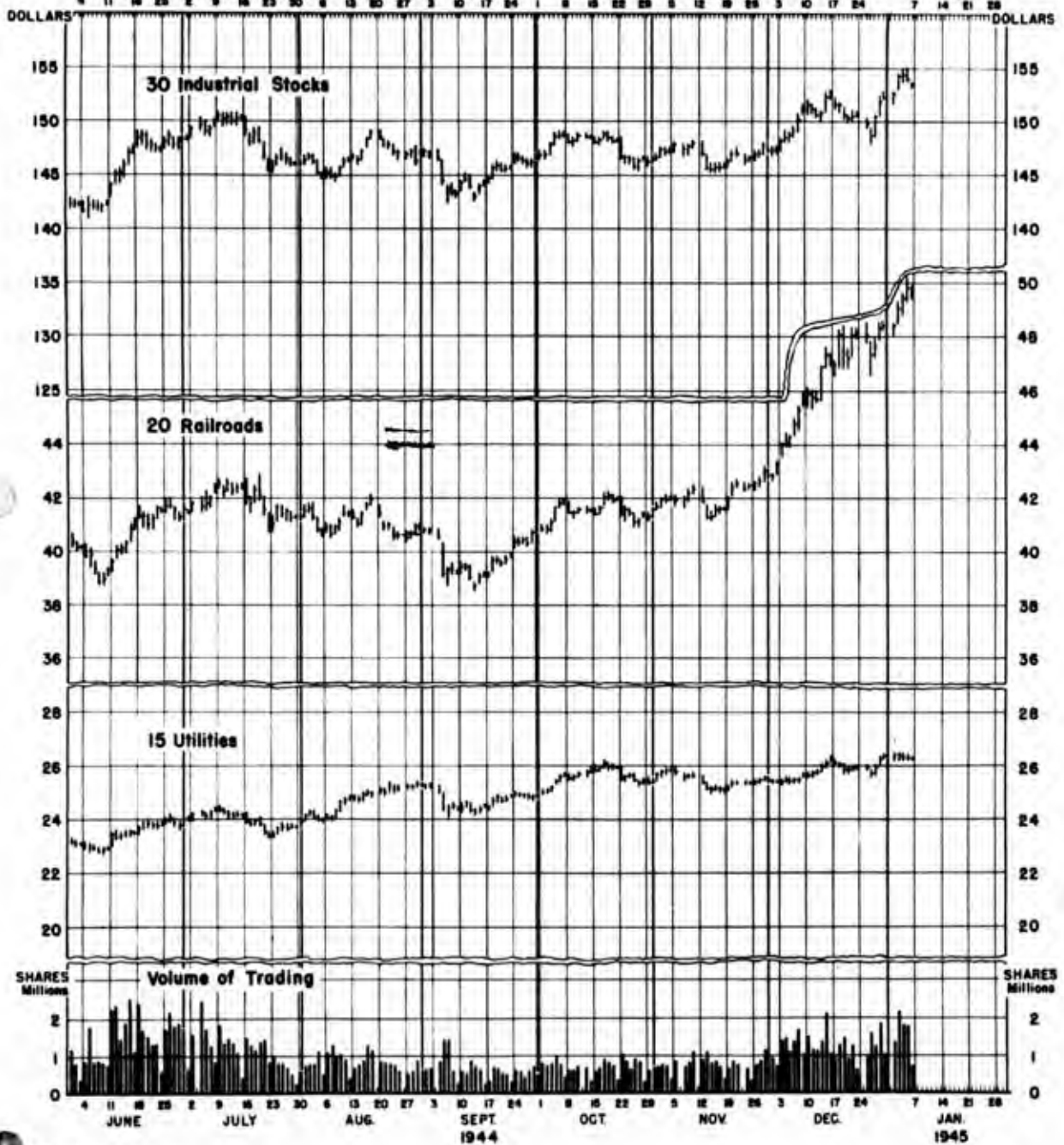
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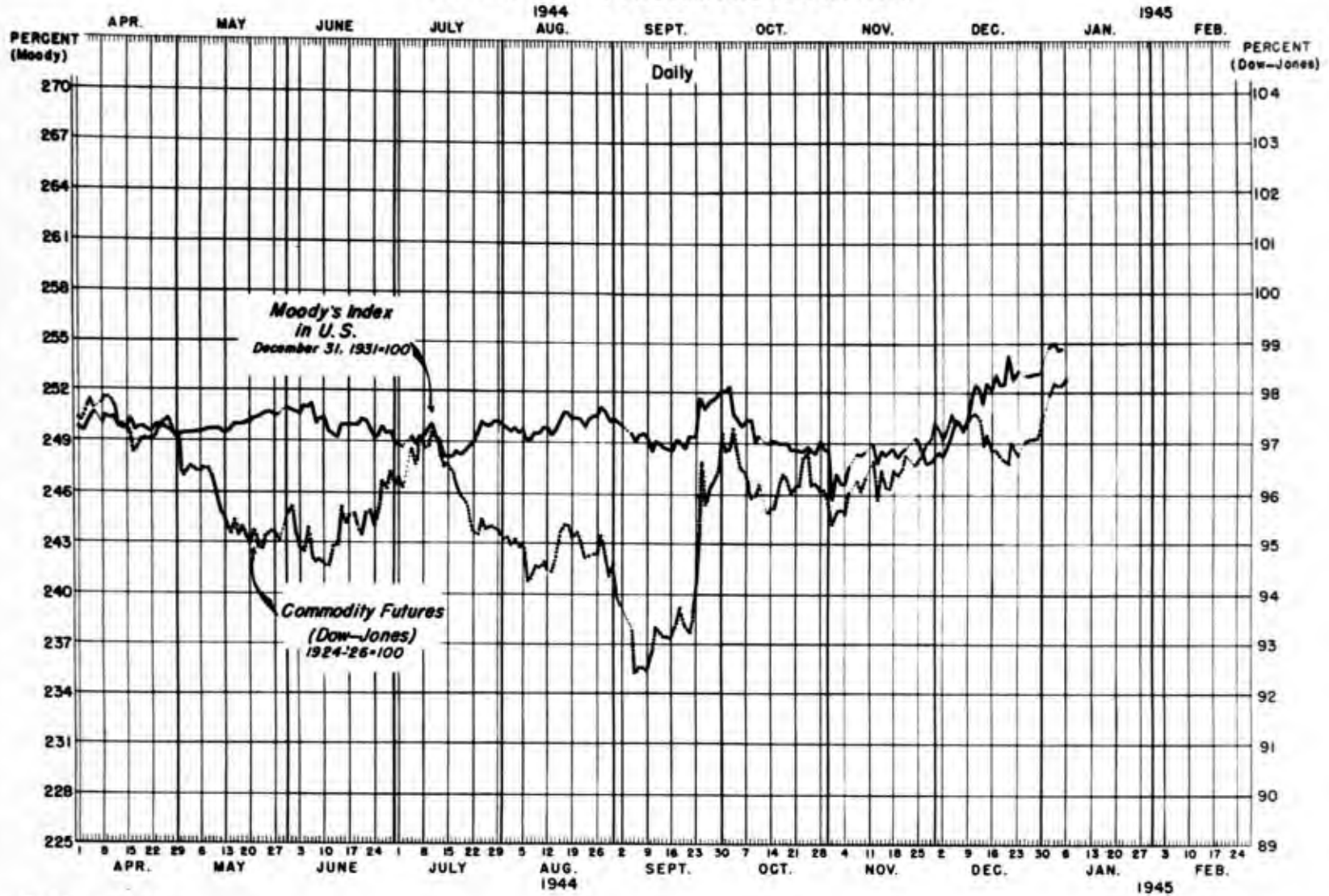
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# COMMODITY PRICE INDEXES IN U.S.

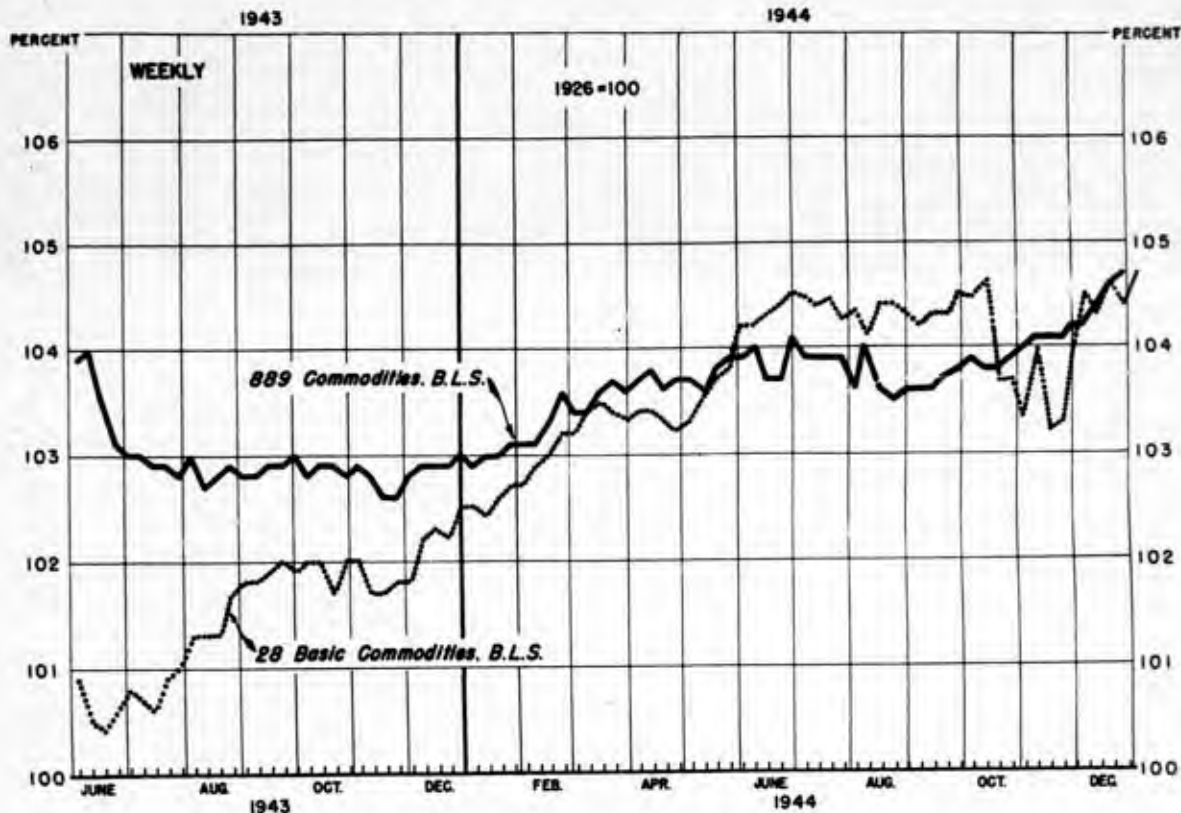


Office of the Secretary of the Treasury  
Division of Research and Statistics

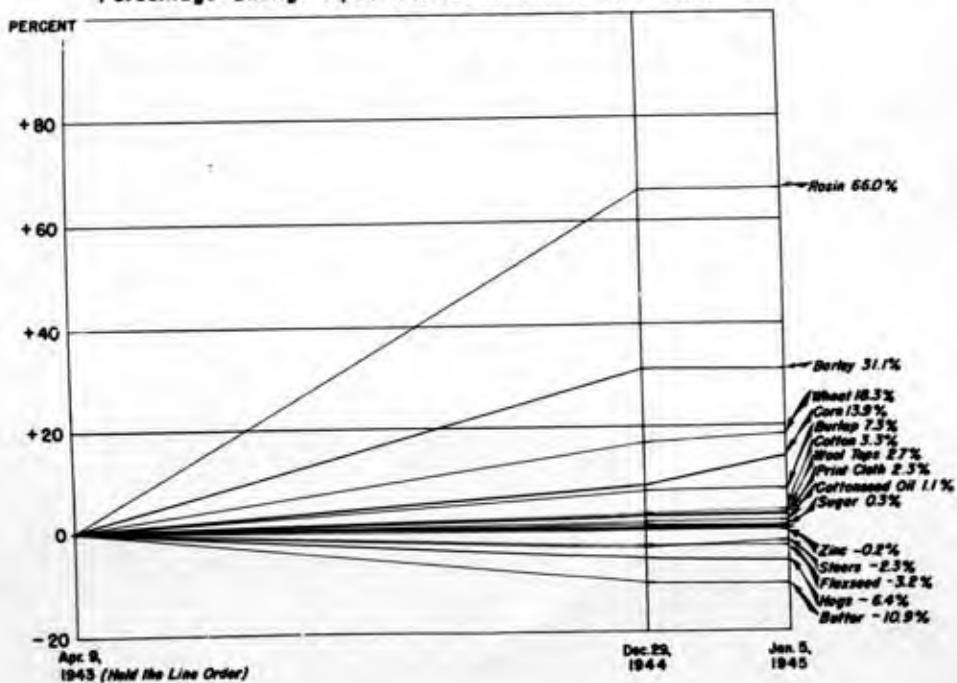
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Chart 4

# WHOLESALE COMMODITY PRICES



**SELECTED BASIC COMMODITIES**  
Percentage Change April 9, 1943 to Dec. 29 and Jan. 5, 1945



9

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE JAN 8 1945

TO Secretary Morgenthau  
FROM Mr. Haas  
Subject Security Market and Banking Developments Connected  
With the Sixth War Loan

I. Prices of Government Securities During and  
Since the Sixth War Loan

Prices of taxable Government securities declined slightly during the period of the Sixth War Loan drive except in the case of the longest-term bonds, which showed some improvement. Medium- and long-term partially tax-exempt securities, however, scored marked gains ranging up to 19/32 during the drive period.

Since the close of the formal drive on December 16, short-term taxable issues have shown little change, while the longer-term issues have improved. Advances have been most pronounced in the case of the long-term restricted issues which have risen 14/32 on average. Prices of medium- and long-term partially tax-exempt bonds continued to advance sharply and the longer-term issues are now quoted as much as 29/32 above their levels immediately preceding the opening of the Sixth War Loan.

Since the first of the year, yields of certificates of indebtedness have declined moderately. For example, as of January 6, a three-month maturity yielded 0.62 percent as compared with 0.71 percent on December 30, and with a "pattern" rate of 0.46 percent.

The four issues of marketable securities offered during the Sixth War Loan were quoted for the first time on December 18. The following table shows the closing bid quotations on that day and on January 6, 1945.

	Closing bid quotations	
	December 18	January 6
7/8% Certificate due December 1, 1945	0.83%	0.79%
1-1/4% Note due September 15, 1947	100-7/32	100-17/64
2% Bond due December 15, 1952-54	100-9/32	100-27/64
2-1/2% Bond due March 15, 1966-71	100-5/32	100-19/32

II. The Problem of Maintaining Bank Reserves Between the Sixth and Seventh War Loans; the Role of Treasury Bills

Excess reserves of member banks totaled \$1,274 millions on January 3, the most recent report date (Chart I). During the month of December 1944, excess reserves averaged \$1,333 millions, due principally to the fact that subscriptions to the Sixth War Loan securities resulted in an increase of war loan deposits, against which reserves are not required to be held, and a decrease in private deposits, against which reserves must be held. The effect of these War Loan transactions has appeared not only in the increase of excess reserves, but also in an increase of commercial bank holdings of Treasury bills and a reduction in member bank borrowing from the Federal Reserve Banks. Treasury bills held by weekly reporting member banks on December 27, amounted to \$2,428 millions, an increase of about \$800 millions from the most recent low on November 22. Member bank borrowing, which reached a high of \$593 millions on November 29, had declined to \$153 millions on December 27, and to \$30 millions on January 3.

In the coming months, between now and the Seventh War Loan, the trend will be in the opposite direction from that of the past month. The expenditure by the Treasury of funds in the war loan accounts will result in a reduction of these accounts and a corresponding increase of private deposits requiring reserves. In addition, if the increase of money in circulation continues at its present rate -- and there appears no reason to expect that it will not -- it will be necessary to provide an average of about \$100 millions weekly

of additional member bank reserves if this increase of currency is not to result in a reduction of excess reserves.

The banks have two principal means of replenishing their reserves in the face of a drain such as may be expected to occur during the next few months: they may sell earning assets (principally Government securities), or they may borrow. The banks hesitate to borrow if they can avoid it. From the point of view of the Government security market, moreover, borrowing is undesirable inasmuch as a bank which is in debt to the Federal Reserve is likely to be a seller rather than a buyer of Government securities. A large volume of member bank indebtedness, therefore, tends to have a dampening effect on the Government security market. As the borrowing rate at the Federal Reserve against the security of short-term Governments is  $1/2$  of 1 percent, the securities which banks are most likely to consider it worth their while to sell, rather than borrow to meet temporary reserve deficiencies, are Treasury bills, for which the buying rate is posted at  $3/8$  of 1 percent, and ordinarily the shortest certificates of indebtedness (although the recent rise in the pattern of rates has tended to make it unprofitable to sell certificates rather than to borrow against them).

The ideal medium for providing additional member bank reserves is, therefore, the Treasury bill; but as of December 27, the supply of such bills available to the banking system for use to replenish reserves had fallen to quite a low level. At that time, Federal Reserve Banks held approximately 70 percent of the outstanding volume of Treasury bills; weekly reporting member banks held about 15 percent; and the other 15 percent was held by non-weekly reporting banks and by nonbank investors. In terms of dollar amount, the volume of bills not already in the hands of the Federal Reserve Banks was about \$5 billions, and, as the Federal Reserve Bank of New York, in its weekly confidential letter on open market operations, has pointed out, some banks have no bills at all and are forced to liquidate or borrow against certificates.

The need for additional reserves during the first half of 1945 will put additional pressure on the already limited supply of Treasury bills and will tend to have a depressing influence on the market for Government securities. It might be well, therefore, to consider increasing the supply of Treasury bills by enlarging the weekly offerings at an early date, so that banks will not have to sell other Government securities or to borrow to replenish their reserves.

Secretary Morgenthau - 4

### III. Federal Reserve Ratio Starts Downward Again

The ratio of the reserves of Federal Reserve Banks to combined deposit and note liabilities experienced a check in its downward movement during the Sixth War Loan. Last Wednesday, it stood at 49.4 percent, as compared with 49.9 percent at its high during the Loan. The same factors which will tend to produce a reduction in member bank excess reserves will operate during the next six months to reduce this reserve ratio still further. As we have indicated in previous memoranda, some action will be necessary with respect to the ratio in the very near future. The question should be definitely settled before the next War Loan. According to reports in the press, the Board of Governors intends to ask Congress to lower the minimum ratio.

### IV. Nonbank Funds in Sixth War Loan About \$12 Billions

On the basis of preliminary estimates, it appears that of the \$21.6 billions raised during the Sixth War Loan, about \$12.4 billions will have been provided, during the two months of the ~~drive~~, by nonbank investors, while the remainder, \$9.2 billions, will represent indirect financing by commercial and Federal Reserve Banks through purchases of Government securities already outstanding and through loans on securities to enable nonbank investors to subscribe to Sixth War Loan securities.

Total funds raised during the Sixth War Loan will be more than in any of the preceding five loans. Chart II compares the results of the Third, Fourth, and Fifth Loans with the estimated results of the Sixth Loan and the approximate distribution of the funds raised, by source. (The First and Second Loans were conducted under terms somewhat different from the later ones and are, therefore, not comparable with them.) It will be noted that, for the four drives shown in the chart, funds raised from nonbank sources were largest during the Third War Loan. The Fourth Loan showed the smallest nonbank participation; the last two loans have been almost identical with respect to funds raised from nonbank investors. Variation in the amount so raised from one loan to another has not been great. In the Sixth Loan, banks purchased \$0.6 billion more of Government securities than they did in the Fifth, and loans in connection with the drive were about \$0.2 billion greater.



V. Canadian Treasury Bill Rate at New Low

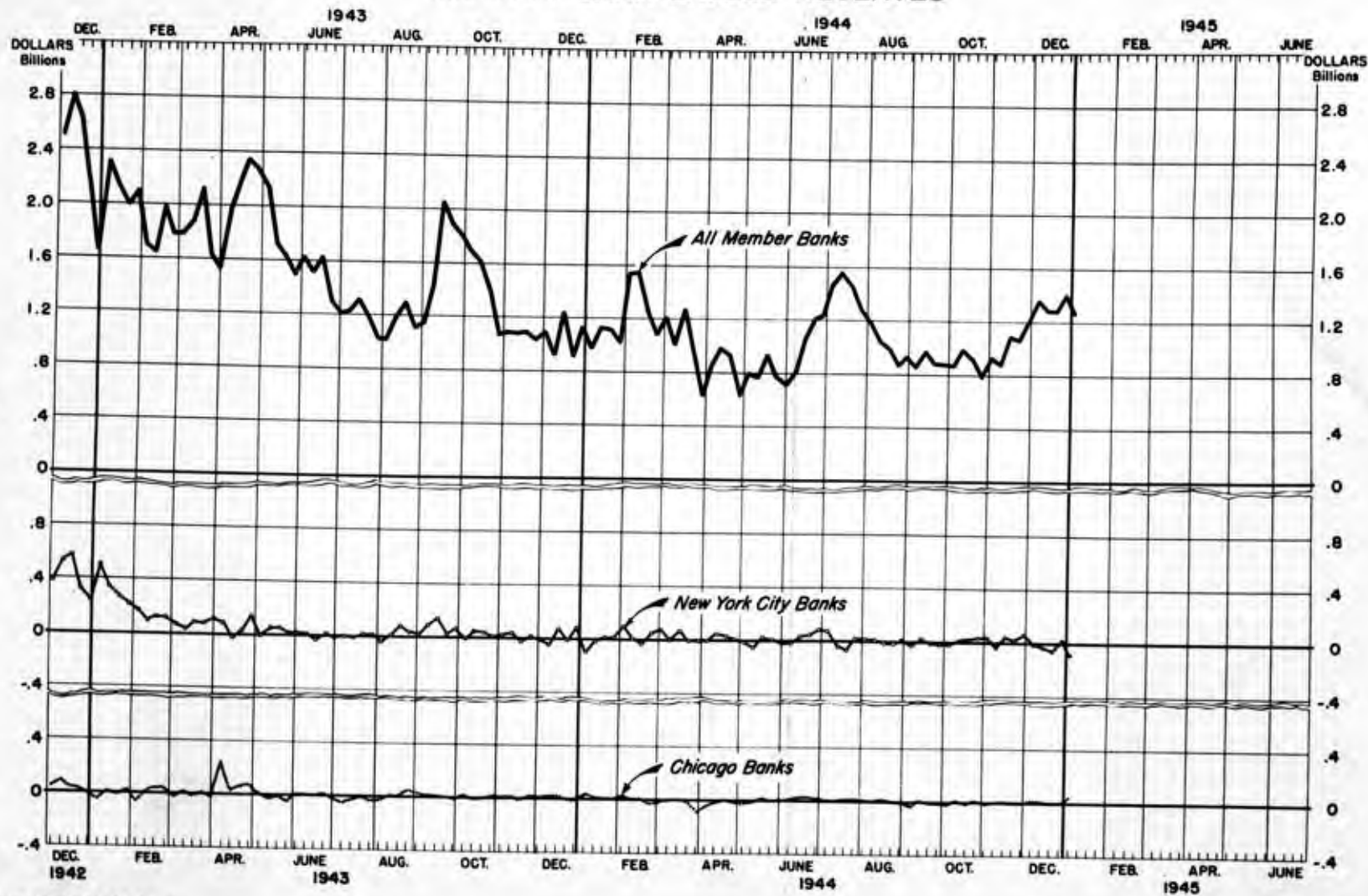
The average interest rate on the December 15 issue of Canadian 3-month Treasury bills reached an all-time low of 0.372 percent. (The all-time low prior to the war was 0.465 percent.) At this rate, for the first time since 3-month Treasury bills were introduced into Canadian Government finance late in 1934, their yield was slightly lower than the rate on 3-month Treasury bills in this country. The 0.372 percent average rate also was obtained in the succeeding offering of bills, dated December 29.

The first wartime offering of Treasury bills in Canada, on September 15, 1939, was issued at an average rate of 0.846 percent, sharply higher than the rate on the previous issue. On the next issue, two weeks later, the wartime high of 0.925 percent was paid. Since then the rate has declined continuously with only minor setbacks.

Attachments

CHART I

# MEMBER BANK EXCESS RESERVES



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

THE SECRETARY OF THE NAVY  
WASHINGTON

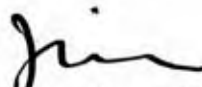
*Photostat  
to Mr. Forrester*

January 8, 1945

Dear Henry:

Thank you for your letter of January 5 mentioning the Navy's work on the Sixth War Loan campaign, especially the Chicago exhibition. We are pleased that we could be helpful. If in the future we can lend a hand, please let us know.

Sincerely,



James Forrester

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

JAN 8 1945

My dear Mr. President:

I have a memorandum from Vice Admiral Wilson Brown indicating that you desire information on all types of citations and awards issued by the Treasury Department to civilians, individuals and groups, who have rendered outstanding service.

No significant use has been made of citations or awards by this Department except in connection with our War Bond program, and here we have found such recognition to be an important factor in stimulating the efforts of the millions of volunteer workers throughout the country. As you know, the success of the bond drives depends finally upon the enthusiastic cooperation of these workers, both as individuals and groups. It has been my feeling from the inauguration of the program that the Treasury's appreciation should be conveyed to persons who have achieved outstanding results or contributed in an unusual measure, whether they are movie stars or school children, and for this reason various types of appropriate certificates and citations have been adopted. I am convinced that this method of recognition has done much toward sustaining the interest of our volunteers, and that any curtailment would affect future drives adversely.

At the outbreak of the war many patriotic citizens made donations of cash and property to the Government of the United States, and in response to these, I had prepared a citation covering such donations.

Another recognition document which might be mentioned would be the type of letter which I have been signing and giving to retiring Treasury employees who have had an outstanding career in the Federal service. While not specifically requested in Admiral Brown's memorandum, you might

be interested to know that in addition to the above, the Department has in contemplation an expanded program of meritorious within-grade promotions, which are provided for by law, and also the inauguration of a system of cash awards for outstanding employee suggestions which would require appropriate legislation.

A portfolio containing the several types of citations in use by this Department is being submitted with this letter.

Faithfully yours,

(Signed) Henry Morgenthau, Jr.

The President

The White House

THE WHITE HOUSE  
WASHINGTON

December 20, 1944.


M E M O R A N D U M

To: The Secretary of the Treasury.

Subject: Awards to Civilians.

1. The Secretary of the Navy has asked the President to authorize the Secretary of the Navy to issue awards to civilian employees of the Navy for distinguished service and states that the Treasury and War Departments have similar awards for their employees.

2. The President views with concern any tendency of any of the Executive departments to issue commendation to civilians for war work except those that have been specifically approved by him. He, therefore, requests to be informed what awards to civilians are issued by the Treasury Department and also to be informed what civilians are eligible for such awards. I will be very much obliged if you will send the desired information to me in order that I may resubmit the Treasury, War and Navy practices to the President.

  
WILSON BROWN,  
Vice Admiral, U.S.N.,  
Naval Aide to the President.

Copy to:  
SecNav

JAN 8 1945

Dear Mr. Collins:

I understand that you are the author of the "Home-Front Victory" editorial which appeared in the Herald Tribune, December 18th. I want to express my sincere personal thanks to you, as well as the appreciation of the Treasury, for such excellent support of our War Bond program.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Edward H. Collins  
Associate Financial Editor  
New York Herald Tribune  
New York, N. Y.

SGL:eb

*MS*

NEW YORK  
**Herald Tribune**  
230 WEST 41<sup>ST</sup> STREET, NEW YORK

January 2, 1945.

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

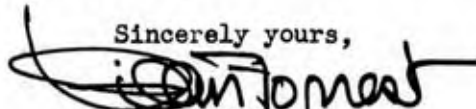
Dear Mr. Secretary:

I take the liberty of replying to your good letter of January 1 addressed to Mr. Reid, who is at present absent from the office.

It was good of you to take the trouble to cite so generously our editorial, "Home Front Victory" and the work of the newspaper in general.

The author of the editorial was Edward H. Collins, our associate financial editor.

Sincerely yours,



Wilbur Forrest  
Assistant Editor

*Coyne 6 e -*



## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE Jan. 8, 1945

TO Mr. Gaston  
FROM Secretary Morgenthau

*File*  
*1/17/45*

The Macon News of December 29th carried a remarkable editorial entitled "The Doubters of Democracy". I am reliably informed that this was written by Harry S. Strozier, contributing editor.

I wonder if there is any way of our finding out anything about this man, with the idea of possibly bringing him to Washington.

TO: Secretary Morgenthau  
FROM: Mr. Gaston

Harry S. Strozier is a prominent attorney at law of Macon and is counsel for the Macon News and Macon Telegraph. I think it unlikely that we have any inducements for him.

*MG*

Memorandum  
from the Desk of

123

MRS. FRANKLIN D. ROOSEVELT

Harry S. Strozier  
contributing Editor  
The Mason News

Editorial  
"For Doubters of Democracy"  
Dec. 29, 1946

TREASURY DEPARTMENT

124 ✓

INTER OFFICE COMMUNICATION

DATE Jan. 8, 1945

TO Secretary Morgenthau

FROM Mr. White

*HDW*

*3:15*

Mr. McCloy telephoned me late Saturday afternoon saying that though he had written a letter to you stating that he was able to accept only two of the suggested changes in JCS 1067 made in your letter to him, he subsequently was able to get all of the changes you suggested accepted and asked me to tell you to ignore his letter.

*W  
JR*

*This is McCloy's sig.*

SECRET

*Copy to Mr. White 1/10/45*

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

5 January 1945

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

Dear Mr. Secretary:

Thank you for your very prompt action in furnishing comments on the revised JCS 1067.

I am affirmatively urging the adoption of changes 3 and 4. I have no objection to the first two proposed changes but feel that whether they should be made is a matter in which the views of the State Department should be given very great weight. I have sent all your proposals to the State and Navy Departments for study, but have not yet received any indication of their views.

The second group of changes (i.e. No. 2 on your list), according to very rough and tentative estimates here, would involve the detention of a large number of additional people, possibly rising as high as 100,000 additional persons. This obviously may create practical difficulties of a serious nature. Mr. Glasser of your office has been told of this estimate, so that he might check this with his advisers.

Needless to say, any draft now prepared will be the subject of detailed scrutiny in the European Advisory Commission by the representatives of the four governments. I think we must expect many suggestions for changes from the other governments, but this revised paper gives our people substantially the principles worked out in September as a basis of their negotiations, if it is approved.

Sincerely yours,

  
John J. McCloy



SECRET

JAN 4 1945

Dear Mr. McCloy:

There is attached Treasury comments on JCS 1067 Revised. In accordance with your request to keep the comments down to a minimum in order to expedite the clearance of the document within the U. S. Government, we have only included those points which we have considered to be of major significance.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. John J. McCloy,

Assistant Secretary of War.

HG:ghb  
1/3/45

January 2, 1945

**MEMORANDUM**

**Treasury Comments on JCS 1067 Revised**

These comments are restricted to the most important points, in conformity with the request of the War Department to expedite the clearance of the document within the U. S. Government.

1. On page 2 of the political directive there has been deleted the sentence, "It may generally be assumed in the absence of evidence to the contrary that any person holding such positions are Nazis or Nazi sympathizers".

Without this sentence, the burden of proof is placed on the military, and it is likely that the procedure will be administratively ineffective in performance.

2. The internment of Nazi officials is limited to officers of very high rank under (g), (h) and (i) on page 2 of the political directive.

- (a) The officials of the police only above that of captain are to be interned. We consider that the captains should be included.
- (b) The officers of SA holding rank of sturmbannfuhrer or higher are included. They should go down at least two grades lower to include all of the officers of the commissioned rank.
- (c) The leading officials of all ministries and other high political officials are carried down to the grade of landrate and oberburgermeister. They should take the mayors of all cities of 100,000 and over and also take the political officials of the next grade below the landrate in the rural regions.

3. On page 8 of the financial directive there has been added the following sentence: "Subject to the agreed policies of the Control Council other taxes may be collected through such agencies as you may determine and the taxes so collected will be held or disposed of for such purposes as may be determined by you".

We suggest the addition of the following phrase after the words Control Council, "and without assuming responsibility for German fiscal affairs".

- 2 -

4. In the economic directive on page 1 there is the following sentence: "Except for the purposes specified above you will take no steps (1) looking towards the economic rehabilitation of Germany or the general restoration of German export trade.....".

It is our view that there should be a prohibition of export trade during the period which this directive is presumed to cover. Therefore it is suggested that there be added a point (g) under 1 on page 1 to the effect that export trade other than restitution and making surpluses available to liberated areas be prohibited during the immediate period of military operation. The phrase "or the general restoration of German export trade" may then be deleted.

200 ←

**TREASURY DEPARTMENT**

INTER OFFICE COMMUNICATION

DATE  
January 8, 1945

**TO** Secretary Morgenthau For information.

**FROM** Mr. White *HDW*

**Subject:** Lend-Lease Exports to Russia

1. During the four months ending October, 1944 United States Lend-Lease exports to Russia totalled approximately \$1,169 million as compared with about \$1,106 million during the four months ending June, 1944. In the month of October lend-lease exports to Russia totalled about \$255 million.
2. Among the principal non-military items sent during the four months ending October, 1944 were:
  - Motor trucks (all sizes) (\$71 million)
  - Steam locomotives (\$52 million)
  - Canned meat, excluding chicken (\$25 million)
  - Linseed oil (\$22 million)
  - Wool cloth and dress goods (\$30 million)
  - Forging machinery and parts (\$114 million)
3. Among the munitions sent during the four months ending October 1944 were:
  - 818 M4A2 medium tanks
  - 86 B25 2 eng. medium bombers
  - 153 A20 2 eng. light bombers
  - 399 P39 1 eng. pursuit fighters
  - 484 P63 1 eng. pursuit fighters
  - 15 P40 1 eng. pursuit fighters
  - 49 P47 1 eng. pursuit fighters
  - 55 DC3, C47 2 eng. medium transports
  - 1,379 Unarmored scout cars
  - 32 Medium armored cars
  - 182 20 MM. Oerl anti-aircraft naval guns
4. Shipments to Eastern Russia, presumably on Russian boats via Vladivostok or some other Siberian port, accounted for about \$611 million of the total of approximately \$1,169 million exported during the four months under review.



Dear Mr. Brandt:

This is to inform you that the Treasury has decided to allow the claim of your Government for the sum of \$200 thousand representing the proceeds of the sale to the Packard Company of certain British-owned plant facilities being operated by that company in U.S. war production.

It is my understanding that this sale was consummated some months ago but, as you are aware, the proceeds have been held in suspense at our request pending a decision as to their disposition. I assume that this letter will now enable you to make the necessary arrangements to have the proceeds paid to the appropriate British Government agency.

The War Department recently informed us that the Packard Company is now offering to purchase from your Government, in addition to the plant facilities mentioned above, machinery and equipment valued at approximately \$1.3 million. We are informed that the War Department is willing to sanction the sale with the usual understanding that the use of the machinery and equipment will be reserved for the U.S. Government as long as the War Department deems it necessary. This is to advise you that the Treasury Department raises no objection to this proposed sale nor to the payment of the dollar proceeds to the British Government.

Very truly yours,

Isigauo H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. H. H. Brandt,  
United Kingdom Treasury Delegation,  
Box 660,  
Benjamin Franklin Station,  
Washington, D.C.

DMC:RL 12/28/44

## UNITED KINGDOM TREASURY DELEGATION

BOX 680  
BENJAMIN FRANKLIN STATION  
WASHINGTON, D.C.

REFERENCE

TELEPHONE EXECUTIVE 2020

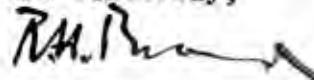
19th December, 1944

Dear Dr. White,

I have to acknowledge the receipt of your letter of the 15th December in which you were good enough to set out the position which has been reached, as a result of discussions between the Treasury Department and the War Department, concerning certain of the claims which were discussed at the meeting with Lord Keynes in your office on the 27th November and concerning which Lee sent you further details on the 1st December.

I shall bring your letter to the notice of the U.K. Treasury and to those British Missions in Washington who are concerned with the claims in question. In the meantime, I should like to express appreciation of the action which the Treasury Department have taken to facilitate settlement of the first three of the claims referred to in your letter. We note that you will be writing to us further in regard to the claim in respect of the Packard Motor Company (\$200,000) and in regard to other outstanding items which were discussed at the meeting on the 27th November.

Yours sincerely,



R. H. Brand.

Dr. H.D. White,  
Ass't to the Secretary,  
U. S. Treasury,  
Washington, E. C.

JAN 8 1944

Dear Judge Patterson:

I am writing you with respect to the British claim for \$38 million for "take-outs" of British-owned capital facilities by the U.S. Government agreed upon more than two years ago but never completed. The item is discussed under Section 10, ii on page 42 of the original British document on "Lend-Lease Requirements for the First Year of Stage II" and I am enclosing for your information a further memorandum on the subject (COLL-U.S. No. 56) sent to the American Committee by the British on November 22. I am also enclosing a copy of a memorandum recently prepared in the Treasury giving the principal facts in the long history of these transactions, as shown by our records.

Because the take-over by the United States of suitable British production facilities was originally undertaken at the specific direction of the President and because the Treasury and other United States authorities have repeatedly promised the British that the particular facilities now in question (see enclosed British memorandum) would in fact be taken over, I am anxious that our commitment in this respect be fulfilled.

I should appreciate it, therefore, if you would investigate the present status of the promised transactions with a view to completing them as originally contemplated. The last time, according to our records, that these take-overs were being actively considered, the arrangement seems to have been that the War Department would purchase the ordnance facilities directly while the purchase of the air facilities would be financed in part by the Reconstruction Finance Corporation (or Defense Plant Corporation). I hope you will find it possible to re-effect these or some substitute arrangements with the Reconstruction Finance Corporation in order that evaluation and other preparatory steps can be undertaken and the transactions pressed to a conclusion.

When you have made an investigation I should be grateful if you would advise me of the steps it is proposed to take and of the valuation placed upon the properties involved.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Robert Patterson,  
Under Secretary of War,  
Pentagon Building,  
Arlington, Virginia.

HC:rl  
2/25/44

Regraded Unclassified

December 14, 1944

MEMORANDUM FOR THE FILES

Subject: Take-Outs of Capital Facilities - \$38 million.

1. Mr. Livingston of Defense Plant Corporation stated orally a few days ago that:
  - a. At the time these take-outs were last being actively considered, the Defense Plant Corporation, by arrangement with the War Department, had contemplated participating only in the Wright Aeronautical and Packard transactions and in these only up to 50 percent, the War Department paying the other half.
  - b. It was understood that the War Department was to have reimbursed the Defense Plant Corporation for all funds so advanced.
  - c. The facilities of the five non-air companies were to have been taken over directly by the War Department.
  - d. However, on March 16, 1944, Col. Hammond of Mr. Patterson's office wrote the Defense Plant Corporation telling it to drop evaluation proceedings on the two air companies and cease all negotiations looking toward take-over. The inference is that the War Department is no longer interested in taking over either the two air company facilities or those of the five non-air firms.
2. Following are the highlights of the take-over proposal as shown by our files:
  - a. On January 23, 1941 the President apparently wrote to Mr. Jones urging him to acquire for the U.S. Government production facilities certified by the War Department as necessary to the national defense. (We do not have a copy of the letter but there are numerous references to it in the file.)
  - b. On March 10, 1941 at luncheon the President handed Secretary Morgenthau a note asking him, in view of the "general financial picture" to "hurry up the RFC" about taking over British facilities. The Secretary sent copies of the note to Mr. Jones and War Department on March 11.
  - c. In March the War Department certified to the Reconstruction Finance Corporation the British-owned facilities of the Tennessee Powder Company and four machine gun plants. These were subsequently taken over. The War Department later re-purchased from Defense Plant Corporation the Tennessee Powder facilities but the Defense Plant Corporation still owns the four machine gun plants.

- d. On June 3, 1941 the President wrote Mr. Jones again directing him to take over British-owned facilities certified by the War and Navy Departments. On the same date the War Department wrote Mr. Jones certifying for take-over the facilities of 11 companies, including the seven now listed by the British and stating that the War Department would "seek appropriations to purchase the above facilities on the basis of cost to the RFC."
- e. For a long time nothing happened beyond repeated telephone calls and other efforts by Treasury and War Departments to get the Reconstruction Finance Corporation to act. The Reconstruction Finance Corporation gave various reasons for the delay including difficulty of identifying the British properties and difficulty of negotiating rent to be paid Defense Plant Corporation by the companies (apparently the British were charging no rent) but the principal reason seemed to be that the Defense Plant Corporation wanted the War Department to pay the Defense Plant Corporation 2/5 of the purchase price at the time of take-over and to give positive assurance that the remainder would be paid out of future appropriations. The War Department was apparently reluctant to promise this.
- f. On March 20, 1942 Secretary Horganthan wrote Mr. Jones stating that he understood the War Department had agreed to repurchase facilities taken over by the RFC and asking for information on how matters stood. (No reply to this letter appears in our files.)
- g. On June 26, 1942, Mr. Hicks of Treasury called Mr. Klagsburn of Defense Plant Corporation by telephone (there were many such calls during this period) and was told rapid progress had been made in the past month and also that Defense Plant Corporation was going to purchase only the three air facilities (Guthrie-Flight, Packard and General Motors) and New Jersey Powder Company while the War Department was going to purchase the remaining ordnance plants directly. This was confirmed in a letter to Mr. Hicks from Lt. (now Major) F. H. Otto of Mr. Patterson's office on June 4, 1942 and again on September 18, 1942.
- h. On September 28, 1942, in a letter on the subject of dollar relief to the British handed to Sir Frederick Phillips by the Secretary, the eleven companies originally certified by the War Department to RFC for take-over were listed as "Transactions Agreed upon but not yet completed". The value it was thought these facilities might yield (cost was about \$78 million) was

given as approximately \$50 million. I can find no direct evidence in our file that any of these transactions were completed but since the British say they have received \$12 million of the original \$50 million and since they now list only seven companies instead of eleven, it is presumed that four were taken over (Todd Shipbuilding, General Motors, New Jersey Powder and Remington Arms.)

- i. On October 8, 1942 the Secretary wrote Mr. Jones in connection with the status of the RFC loan to the British and stated in passing that "the British dollar position has improved steadily over the past year and the prospects are favorable for the future. Largely for this reason I think it unlikely that the British Government will avail itself of the remainder of the loan." A statement of the British gold and dollar position was enclosed.
- j. From this point on U.S. authorities were concerned mainly with reducing or limiting British dollar holdings rather than with efforts to augment them. Thus it may be assumed that both the RFC and the War Department felt that one of the stated reasons behind the President's original directive to take over these plants was no longer operative and, accordingly, allowed the project to lapse.
- k. A year later, in October 1943, the subject was brought to light again by an investigation of war contracts and related matters initiated by the Congressional Naval Affairs Committee. The Committee asked the War Department and others why the take-over of British facilities had been paid for in cash instead of crediting the facilities to reciprocal aid and asked about future policy in this respect. On October 13, 1943 Brigadier-General Boykin Wright of the General Staff Corps, International Aid Division, wrote a memorandum to Dean Acheson and Mr. Knollenberg stating that both he and the Under Secretary of War strongly felt that any remaining take-overs should continue to be paid for in cash as theretofore. General Wright cited the President's original directive in this connection. Also it was pointed out that the Reciprocal Aid Agreement specifically excluded such aid "within the territory of the U.S." Mr. Acheson and others felt the same way principally because we were then about to inform the British that we were removing from Lend-Lease all capital goods having substantial post-war value. Since the British-owned facilities also fell in the category of capital goods, it was felt we could not reasonably ask that they be given to us as reciprocal aid.

There was no indication at this time or later, however, whether the War Department or the RFC still intended actually completing the take-over transactions referred to.

Division of Monetary  
Research

- 4 -

1. This brings us to the alleged letter of March 16, 1944 from the War Department to the Defense Plant Corporation implying that there is no longer any intention of completing the transfers.

The following data are an endeavour to bring up to date the figures on the Take-Over arrangements.

1. The total British capital investment in the United States including so-called Extraordinary Charges, was approximately \$252 millions. After deducting certain costs which are clearly irrecoverable, e.g., development, rental, training of personnel, etc., and also the facilities which under the terms of the contracts, were to become the property of the suppliers, we are left with a figure of the British Equity of approximately \$184 millions.

2. In 1941 the U.S. Government, with a view to helping the British dollar position, undertook to take over certain capital facilities. This was separate from their taking us out of our liabilities under the production contracts themselves. The original value of the facilities which were to have been taken over under this arrangement was \$136 millions, comprising \$42 millions under Air contracts and \$94 millions under Non-Air contracts.

3. Facilities originally costing \$90 millions (\$9 millions Air and \$81 millions Non-Air) were in fact transferred to the U.S. Government Departments. The proceeds actually realized were \$85 millions (\$7 millions Air and \$78 millions Non-Air).

4. This left \$46 millions of facilities (\$32 millions Air and \$14 millions Non-Air) which were not transferred to U.S. Government Departments at the time when the U.S. Government suspended the Take-Over arrangements. There were seven plants left:-

Air

Wright Aeronautical	\$12.5 millions
Packards	19 "

Non-Air

Western Cartridge	6.5 "
Pressed Steel	2 "
Idm Locomotive	.8 "
Pullman Standard	2.1 "
Republic Steel	<u>2.75 "</u>

\$45.65 millions - say  
\$46 millions.

5. Quite recently, the B.A.C. have been selling a part of their facilities at Packards and it is stated that the first cost of the equipment and buildings sold is approximately \$7.7 millions. It will be seen that the above leaves almost exactly \$38 millions unsold.



JAN 8 1945

Dear Mr. Stimson:

This is in reply to your letter of January 2, 1945 regarding U. S. Army obligations incurred in China.

As soon as I have received the necessary information from you I will begin negotiations with the proper Chinese authorities with respect to the settlement of U. S. Army obligations incurred in China during the last quarter of 1944.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable  
Henry L. Stimson,  
Secretary of War.

ISP/ofs  
1/6/45

Ret to 5323

Regraded Unclassified

1945 JAN 10 AM 10 34  
January 8, 1945

RS  
This telegram must be  
paraphrased before being  
communicated to anyone  
other than a Government  
Agency. (SECRET O)  
AMBASSY,

4 p.m.

CHUNGKING.  
40

FOR ADLER FROM THE SECRETARY OF THE TREASURY

1. The Chinese Government is strongly urging me to give permission to export on commercial vessels large quantities of gold to China to the extent of \$80 million worth of gold bars and \$100 million of gold tokens. With the arrangements which they are prepared to make with the shipping companies it would be comparatively simple for the Chinese to export another \$100 million or more of gold in the very near future.
2. In view of the current situation in China and of the need of the Chinese for conserving their foreign exchange resources for postwar needs, I have thus far not given my permission to the above requests.
3. I want you to discuss this matter thoroughly with General Hurley and inform me as quickly as possible of his views.

FMA:GL:ja  
1/8/45

STETTINIUS  
(GL)

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

January 8, 1945

Midnight

AMEMBASSY

LONDON

176

The cable below for Mann is WRB 34.

Please deliver following message to Jef Rens,  
International Labour Office, Parliament Street,  
London, from Susanne LaFollette of Labor League:

QUOTE After conference with Dekoek are asking  
American Government authorities and National War Fund  
to authorize Finet as trustee Labor Fund for Belgium  
to use money behind Axis lines if necessary please  
ask Mr. Spaak to secure Belgian Government approval  
of this also of alternative use in Belgium as proposed  
originally by Dekoek. UNQUOTE

STETTINIUS  
(GHW)

WRB:MAV:KQ  
1/8/45

BC

WE

SWP

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

191  
January 8, 1945  
Midnight

AMEMBASSY

LONDON

177

The following for Mann is WRB 35.

Newspaper PM of January 4 under heading of Reuter  
article dated January 4, Headquarters 21st British Army  
Group, summarizes 12 page report issued by British army  
authorities describing the German prison camp at Breedonck  
Libreendonsk during the occupation of Belgium. According  
to the newspaper article the report is accompanied with a  
volume of photographs.

Please forward a copy of this report by air mail,  
together with photographs if possible.

STETTINIUS  
(GHW)

STETTINIUS

WRB:MMV:KO  
1/8/45

FC

WE

EK-1032

PLAIN

Lisbon

Dated January 8, 1945

Rec'd 11:55 a.m., 9th

Secretary of State,  
Washington.

42, Eighth.

WRB 289. JDC 150. FOR LEAVITT FROM PILPEL

Resnik advises authorization received accept Italian and American currencies which Fort Oswego refugees deposited Italy against your payments to them at Fort Oswego. Resnik estimates 8½ million lire available Italy this connection.

NORWEB

JT

143

EMBASSY OF THE  
UNITED STATES OF AMERICA

RESTRICTED

No. 3819

Madrid, Spain, January 8, 1945.

**Subject: Transmitting Report on Evacuation of Stateless  
Refugees from Spain to North Africa**

The Honorable  
The Secretary of State,  
Washington.

Sir:

1/ I have the honor to enclose, as of possible interest to the Department, a copy of a report on the evacuation of stateless refugees from Spain to North Africa which has been prepared by Mr. David BLICKENSTAFF, director of the Representation in Spain of American Relief Organizations, for Mr. Ned Campbell, representative in North Africa of the United Nations Relief and Rehabilitation Administration, as a basis of discussion of plans for the possible evacuation of additional numbers of such refugees to Philipeville and other UNRRA camps in the Mediterranean area.

Respectfully yours,

/s/ Carlton J. H. Hayes

Carlton J. H. Hayes

Enclosure:

Report, as stated

File No. 320  
NWB/jf  
Original to Department  
(for Omalid machine)  
Copy to Embassy, Lisbon

COPY

Enclosure to despatch No. 3819 dated January 8, 1945 from Carlton J. H. Hayes, American Ambassador, at Madrid, Spain on subject of Evacuation of Stateless Refugees from Spain to North Africa.

\*\*\*\*\*

Report to Ned Campbell, UNRRA, North Africa, from David Blickenstaff, Madrid

EVACUATION OF STATELESS REFUGEES TO NORTH AFRICA

History

After it had been decided in the Spring of 1943 to evacuate stateless and other unprotected refugees from Spain to the camp at Fedhala in North Africa, an arrangement was made dividing the responsibility of this operation between the British and American Governments through their embassies in Madrid. The American Government was to assemble and transport the refugees in Spain to the port of embarkation, and the British Government was to provide transportation by sea to North Africa.

In a meeting held on January 31, 1944, between representatives of the British and American Embassies, the French Diplomatic Mission, Mr. Beckelman (representing the UNRRA), and myself, it was decided that this office handle the applications made by refugees for admission to the camp, distribute these applications to the screening authorities, advise the refugees concerning the acceptance or rejection of their applications and negotiate with the Spanish authorities the release of the refugees from camp and their exit from Spain. The American Ambassador asked this office to also carry out for the American Embassy its functions of assembling and transporting to the port of embarkation the refugees accepted for entry into the camp.

In this way, three groups of refugees left for the North African Refugee Center:

May 4	-	36	refugees
June 21	-	573	refugees
July 1	-	<u>21</u>	refugees
Total		630	refugees

Need of Outlet to North Africa

In my opinion an outlet to North Africa for stateless and other unprotected refugees is still urgently necessary though the numbers of refugees to whom such an opportunity is attractive has been greatly reduced by the three convoys to Fedhala and by expeditions to Palestine and Canada organized by this office during 1944. There nevertheless remain in Spain roughly one thousand refugees who receive financial

assistance from American relief organizations. These are almost entirely refugees who are either legally or practically stateless. For some of them solutions will perhaps be found when return to France and other parts of liberated Europe become possible. For others, however, return to pre-1939 places of residence is impossible and they will become a part of the "hard core" of the post-war stateless refugee problem. I assume that the UNRRA or the Intergovernmental Committee is working on some solution to this more or less permanent problem and will make representations in this direction to the United Nations Governments when the plans for the post-war world are being drawn. It seems logical therefore that this group of refugees now in Spain should come as soon as possible under the authority and control of some such organization as the UNRRA.

There are, furthermore, many cases where the transfer to an UNRRA camp is, for humanitarian reasons, urgently desirable. In this category are many stateless and unprotected foreigners some of them resident for many years in Spain who, because of their participation on the Republican side during the Spanish civil war, are personae non grata with the present Spanish Government. Life for such persons in Spain is extremely difficult because of the impossibility to obtaining legal employment. Many of them are detained in work camps and prisons release from which being authorized only when immediate departure from Spain can be assured. The conditions of such internment leave much to be desired and the future for such refugees must appear completely hopeless.

#### Number of Refugees to be Evacuated

Of the one thousand refugees remaining in Spain on the rolls of private American relief organizations it would be difficult to estimate the number that could be evacuated to an UNRRA camp. The following factors must be taken into consideration in making any estimate:

1.- Refugees look upon evacuation to a camp as only a last alternative, something to be avoided if possible. The number of those willing to accept evacuation to a camp increases or decreases as the events of the war cause hopes of return to liberated Europe to rise and fall in the minds of the refugees. The policies that will be followed by the national authorities, especially French and Belgian, will of course determine to a large extent how many refugees will look to an UNRRA camp as a solution to their problem. The French authorities in Madrid have recently been accepting applications for French visas. This has raised the hopes of some refugees that they will soon be able to return to France where many of them had been living for some years before the beginning of the war in 1939.

2.- The number of refugees who will apply for entry into an UNRRA camp is affected by the policy of the private relief organizations now supporting them in Spain. Increasing needs elsewhere may cause these organizations to try to decrease their obligations in Spain. This will



force some refugees to accept evacuation to a camp and will encourage others to do so by shaking the sense of security that they have developed during their stay in Spain with all expenses paid. If financial assistance were at present completely withdrawn, almost all the refugees now being assisted would be obliged to apply for evacuation to a camp. Till now none of the committees represented by this office has intimated that economic pressure should be used to oblige refugees to make such a decision.

3.- Experience has shown that a rather high percentage of applications for admission to the camp in North Africa are rejected. The North African screening authorities have dealt with our application lists as follows:

List No.	Date	No. of applicants	Number accepted	Number rejected	Percentage of rejections
1	Feb. 28	485	368	117	24%
2	Mar. 20	475	410	65	14%
3	Mar. 31	46	25	21	46%
4	Apr. 19	20	17	3	15%
5	May 2	47	19	28	60%
6	May 15	41	18	23	56%
7	June 16	93	60	33	35%
8	July 15	60	34	26	43%
9	July 25	4	4	-	-
10	Aug. 22	44	20	24	55%
11	Oct. 5	25	2	23	92%

Totals: 1,340                      977                      363

12	Nov. 2	10	) Report from screening authorities not yet received. 57 applications pending.
13	Nov. 4	20	
14	Nov. 15	13	
15	Nov. 22	6	
16	Nov. 16	8	
Total:		1,397	

Thus, out of a total of 1,340 applicants, 977 or 73% were accepted.

(Note: Discounting lists 1 and 2 of Feb. 28 and March 30, which represent the applications screened for the three convoys that have so far left for North Africa, the percentage of rejections on applications screened after the three departures comes to 45%.)

Furthermore, during the preparation of the three convoys sent to Fedhala, there were many refugees who withdrew after their applications had been accepted. These three convoys, totalling 630 refugees, represented 960 applications of which 778 accepted. The 182 refugees who did not leave though their applications were accepted, withdrew from the convoy for the following reasons:

Release from camp or prison or exit visa refused by Spanish authorities . . . . .	24%
Emigrated to other countries, or evacuated by their diplomatic mission . . . . .	23%
Remained in Spain with family member unable to leave for North Africa for health reasons or lack of exit permit. . . . .	16%
Health and miscellaneous. . . . .	22%
Applications withdrawn - no explanation given . . .	15%

At the present time the situation of applications, acceptances and rejections stands as follows:

- 1.- Number of refugees now in Spain whose applications are accepted . . . . . 322
- 2.- Number of refugees now in Spain whose applications are rejected . . . . . 311
- 3.- Number of refugees now in Spain whose applications are pending with the N.A. screening authorities. . . . . 57
- 4.- Estimated number of accepted applicants who would be immediately ready to leave for N.A. . 150

#### The Practical Problem

In order that these 150 refugees, and succeeding groups of refugees, be evacuated to North Africa, it is necessary that some competent authority (the UNRRA) undertake to obtain two things:

- 1.- That instructions be sent to the French authorities in Madrid for accepted applicants to be given documents that will permit them to disembark in North Africa.
- 2.- That permission be obtained from the competent military authorities to accept small groups (3 - 5 persons) of accepted, properly documented refugees on occasional ships leaving Gibraltar for North African ports; or that a ship be sent to some Spanish port especially to embark this first group of 150, and thereafter whenever a group of, say, fifty accepted applicants can be assembled.

We are prepared in this office to handle for the UNRRA the mechanics of preparing the refugees for evacuation, obtaining the necessary permits from the Spanish Government and arranging for transportation to the port of embarkation.

With regard to No. 2 above, I would very much prefer the first suggestion. It is much more useful to have the possibility of evacuating, say, ten refugees every two or three weeks, than fifty refugees every three or four months. A great deal could be done for many refugees if we could intervene at the Spanish police on their behalf with the possibility of giving assurance of immediate evacuation.

There has been, in recent weeks, an increasing tendency on the part of the Spanish authorities to intern foreigners who are thought to be dangerous or unfriendly to the present regime and to maintain in concentration camps refugees who should ordinarily have been released upon our assumption of financial responsibility for them.

For these refugees especially evacuation to an UNRRA camp is urgently desirable, for two reasons:

1.- Internment in Spain is, at best, under conditions that are sub-standard, and in company with interned Spanish criminals and Nazi Gestapo and military personnel.

2.- No progress toward finding an eventual solution to the cases of these internees can be made while they are in Spanish camps and prisons. Contrary to what their situation would be in an UNRRA camp, they are not, in Spain, the subjects of efforts on the part of the interning authorities, to find a solution to the "displaced persons problem". Internment in Spain is "time lost" - under conditions of moral and physical suffering.

AIRGRAM

FROM

Bern

Dated January 8, 1945

Rec'd January 17, 6 p.m.

CONFIDENTIAL

Secretary of State,

Washington.

A-39, January 8, 5:30 p.m.

American Interests - Hungary  
Your telegram 3789 November 7, 1944

Swiss note January 5 stated Swiss Legation Budapest reports Sandor and Inre FRIEDMANN already deported with other Jews to Hungarian provinces, and unable obtain additional information concerning them as communications with Myrmada interrupted.

HUDDLE

CABLE TO RUDDLE AND MCGILLIAND, BERN, SWITZERLAND

I In view of well-known German practice of exterminating Jews surviving in any area previous to its evacuation, Department and WRB consider it necessary once more to draw attention of Swiss and Interross authorities to the danger faced by the Jewish survivors in German-controlled territory.

Accordingly, it will be appreciated if you will visit Swiss Foreign Minister and President of Interross, and urge that continued efforts be made from now on to keep the surviving victims of Nazi persecution alive during the coming stages of hostilities in Europe. You should specifically mention in this connection the three largest concentrations of Jews in Axis territory known to exist, viz. Lodz with 60,000 inmates, Theresienstadt with 40,000 to 60,000 inmates, and camps near Vienna with 18,000 inmates, and you should also mention any other localities or regions where Jews are believed by you to survive.

In your conferences with Swiss Foreign Minister and Interross President it should be made clear that this Government considers that frequent and extended visits of Swiss Consuls and Interross delegates to places and regions where Jews are concentrated constitute one of the most effective means of preventing their further extermination. This method proved its efficacy in Budapest where, thanks to the presence of Swiss and Interross personnel, many lives appear to have been saved.

Furthermore, you should emphasize to Foreign Minister and Interross President the mounting evidence of confusion among local German officials and their increasing accessibility to psychological pressure seeking to dissuade them from executing extermination policies ordered by central German authorities, and urge that full advantage be taken of this state of mind in the interest of saving lives, through unofficial as well as official channels.

More particularly, in view of German consent to permit Interross inspection and care for Hungarian Jews engaged in forced labor in Germany and German-occupied territory (enclosure 1 to your despatch 10132 of December 6), please request immediate and continuing Interross action to safeguard lives of this largest group of Jews surviving under German rule.

Please endeavor to make clear to Swiss and Interross that the activities suggested above should not be limited to one-time acts of intercession, but should be actively pursued as long as the danger continues.

Please advise Department and WRB of Swiss and Interross reaction.

The following from WRB for McGilliland:

It would be helpful if you inquired at frequent intervals that specific action Swiss and Interross are taking to carry out the above suggestions.

In view of the situation as outlined above and in view of your recent reports indicating effectiveness of publicity and other forms of psychological pressure upon German officials, you are requested to make special efforts through all channels available to you to increase such pressure with a view to safeguarding the lives of the surviving victims of Nazi persecution.

THIS IS WRB BERN CABLE NO. 356.

11:30 a.m.  
January 8, 1945

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

January 8, 1945

9 p.m.

AMEMBATION

BERN

121

The cable below for McClelland is WRB 353.

This refers to our No. 4403 of December 30  
(WRB 341), transmitting message from American  
Christian Committee for Refugees for Adolf Freudenberg,  
Geneva. First sentence of quoted message should read:

QUOTE Remitting \$10,000 from non-church sources  
directly to Cimade Paris owing exchange regulations  
preventing transfer via Switzerland. UNQUOTE

STETTINIUS  
(GHW)

WRB:164V:EG  
1/8/45

WE

SWP

187-904  
Distribution of true  
reading only by special  
arrangement. (SECRET W)

Ankara  
Dated January 8, 1945  
Rec'd 9:38 p.m.

Secretary of State

Washington

38, January 8, 1 p.m.

FROM KATZKI TO PEHLE WRB, ANKARA'S NO. 3

The second and final contingent of Starasagora detainees (REFMES 2438, December 30 Ankara's 207 and 31 January 6 No. 2) numbering 259 persons proceeding to Palestine from Rumania arrived in Istanbul by railroad on January 6. For your information, the group comprised mainly Polish nationals who succeeded in escaping to Rumania and who had been in that country for some time. The emigrants were admitted to Turkey in transit as a result of Ambassador Steinhardt's prompt intervention with the British Ambassador in Ankara, under the circumstances and conditions previously reported.

After the complicated technical formalities, and the necessary Palestine entry and other transit visas have been secured, the emigrants will proceed to Palestine by railroad. It is planned that they depart during the week of January 7.

STEINHARDT

JM



SECRETOPTEL No. 9

Information received up to 10 a.m., 8th January, 1945.

NAVAL

1. HOME WATERS. 2 Norwegian manned M.T.B's. attacked escorted convoy 60 miles north of Bergen sinking one 9,000 ton ship, torpedoing one of 5,000 tons and damaging minesweeper. One of H.M. Destroyer mined yesterday has reached port.

MILITARY

2. WESTERN FRONT. Southern Sector. Enemy bridgehead north of Strasbourg considerably reduced, while in Bitche area U.S. forces made progress against strong resistance in reducing salient south of town. Further north U.S. forces have crossed River Sure south of Wiltz and have cleared Goesdorf and Dahl.

Southern flank Ardennes salient. Enemy activity continues against eastern flank of Bastogne bulge while west of town U.S. forces made gains north of Bastogne-St. Hubert road and have reached Tillet.

Northern flank Ardennes salient. Allied forces made excellent progress, capturing Grimblemont and Marcouray while further east they are up to and over the road between Viessalm and Samree along considerable portion its length. Enemy has thus lost northern maintenance route. Some activity over the Maas north of Tilburg.

3. ITALY. Heavy falls rain and snow whole front. No change in forward positions.

4. GREECE. During 6th British troops pursuing ELAS forces N.E. of capital met only small isolated enemy detachments and forward elements having passed Eleusis are now 5 miles from Thebes. S.E. of Athens our forward troops have advanced 10 miles towards Lavrion.

5. BURMA. Budalin on railway 20 miles North Monywa has been captured. Our troops also closing in on Shwebo.

6. EASTERN FRONT. Russians report further gains Budapest and advances north of Danube, but state Esztergon on Danube N.W. of Budapest abandoned by them.

AIR

7. WESTERN FRONT. Night 6th/7th. 785 aircraft (10 missing); Hanau 486 (1653 tons) through cloud; Neuss 147 (678 tons); and 49 laid sea mines. Day 7th. 1014 escorted U.S. heavy bombers attacked targets Westery Germany, including 14 road and rail centres (2370 tons) and 4 rail bridges (267 tons). There was thick cloud over targets so bombing by Pathfinder technique; 7 bombers and 5 fighters outstanding but 4 bombers and 3 fighters believed safe. SHAEF (Air) due bad weather entire battle front only 17 sorties flown.

8. MEDITERRANEAN. Day 7th. Adverse weather severely restricted operations, but fighters and fighter bombers flew 164 sorties against targets N.W. Italy while at Genoa aircraft carrier ROMA was set on fire and 5,000 ton ship hit at Imperia.

9. BURMA. Day 5th. 40 Mitchells (1 missing) and 67 fighters attacked airfields and other targets Central Burma.

HOME SECURITY

10. ROCKETS. Day 7th. 6 incidents reported, 7th/8th. 1 incident occurred.

January 9, 1945  
10:30 a.m.

FINANCING

Present: Mr. D. W. Bell

MR. BELL: This is the letter to go to the War Department. (Hands Secretary letter dated January 9 to Secretary Stimson)

H.M.JR: That was a nice party last night.

MR. BELL: I thought it was nice, yes. I enjoyed it.

H.M.JR: It is all right. (Signs letter) Won't that go out?

MR. BELL: Yes. See, we had a good excuse there for writing him. We are sending him copies of what we are--

H.M.JR: I want to talk to you about something else.

MR. BELL: There are two things I want. The first is, you are going to have a conference tomorrow with Eccles and Sproul at eleven o'clock. I thought maybe you would want to have a preliminary. Maybe we can do it today or, say, tomorrow morning, and save you a little time.

H.M.JR: I have an appointment with Roswell Magill at ten-thirty, but I could see you fellows at nine-thirty.

MR. BELL: O.K.

H.M.JR: Whom do you want me to see?

MR. BELL: Haas' gang and myself-- Haas and myself.

Of the twenty million dollar orders to solve tax exempt securities that we have given the Federal, they have sold twelve, and they are still booming. I would like to go on with that and give another ten of each one of them when they exhaust this one, which will probably be there for you to approve.

H.M.JR: What are you selling?

MR. BELL: We are selling different kinds. I can't tell you the individual issues, but we are selling in the area from '48 to '53, and they are selling, well, I guess up to fifty-five or sixty. They are selling all the way from one hundred three to one hundred twelve.

H.M.JR: These are tax-exempts?

MR. BELL: Yes, the market is very strong, really too strong.

H.M.JR: You gave them how much authority?

MR. BELL: Ten million each, Postal Savings and FDIC.

H.M.JR: How much more?

MR. BELL: Give them ten more on each when they exhaust that. On the two's the market is very strong-- those two's that came out of the drive. Yesterday closed at fourteen, and we thought that they ought to stay around nine or ten to be in line, but Bob says they are very strong. He started selling these; he has sixty million, and I have one hundred million.

H.M.JR: What did he do?

MR. BELL: He sold five million yesterday of taxable two's in the drive. Now he says that he would do it either way, but would like to see us sell some of the one hundred million, and we can go on the basis of sixty to one hundred, or we can sell just our own lot in order to give him an order to sell ten million, but if he sells five, we would

take sixty to one hundred, whatever it is. Well, he has sixty million in two's, and we have one hundred million in two's, so if he sold five million, we would probably take three million, and we would take two's like we always do.

H.M.JR: Who does the one hundred million belong to?

MR. BELL: Fifty to the FDIC, and fifty to Postal Savings. We place them with special two's, and when the drive comes next time--we bought these especially to sell, and got this little premium on funds.

H.M.JR: The market is going haywire.

MR. BELL: I wish they had gone a little harder on seven-eights--more on that end--and not so strong here, but the banks are going out after these two's. They have more confidence in the curve. The trouble is stabilizing the curve. The more confidence they have the further they will go--and leave the other end of the market alone.

H.M.JR: All right.

MR. BELL: Could we give them an order on the two's without allowing--

H.M.JR: Yes, I would go along with him, say, for twenty million.

MR. BELL: He won't sell that many.

H.M.JR: If he sells, see, it is three as to two.

MR. BELL: Well, it is three as to five.

H.M.JR: Three as to five?

MR. BELL: Yes, that would be about the percentage out of five million. We take three and they take two; that is right. You are right in your statement.

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H.M.JR: I think I was right, wasn't I?

MR. BELL: Yes.

H.M.JR: If we multiply three times fifteen as to ten, that would be twenty-five million. If he would sell twenty-five million, we would take fifteen, so I authorize you to take fifteen million.

MR. BELL: That is plenty.

H.M.JR: So if he sells twenty-five million of the two's in the last issue, we get fifteen, and he takes ten.

MR. BELL: That is all right; he won't take that.

H.M.JR: I would like to keep my head on the thing.

MR. BELL: That is all I have.

H.M.JR: What was this committee I appointed on cash yesterday, you and who else?

MR. BELL: You appointed Gaston, O'Connell, and me to sort of look after it. We are going to fix our own rate if we don't get one.

**SECRET**

JAN 9 1945

The Honorable,

The Secretary of War.

My dear Mr. Secretary:

Reference is made to the discussions between representatives of the War Department and the Treasury and the suggestion by the Treasury that collections of your special representative, operating certain plants and facilities of Montgomery Ward and Company, Inc., be deposited in a special deposit account with the Treasurer of the United States through the facilities of the Federal Reserve Banks. In this connection and in compliance with the request contained in your letter of January 6, 1945, a special deposit account has been established with the Treasurer of the United States for your special representative under the following title:

"Major Frederick W. Reese, F.D., Special Representative of the Secretary of War, Custodian, The War Department operating certain plants and facilities of Montgomery Ward and Company, Inc."

This account has been assigned Symbol 896-010.

Copies of letters addressed to the following listed Federal Reserve Banks relative to the acceptance of deposits for credit in the account have been furnished Major General George J. Richards of your Department:

Federal Reserve Bank of New York  
Federal Reserve Bank of Chicago  
Federal Reserve Bank of Minneapolis  
Federal Reserve Bank of Kansas City  
Federal Reserve Bank of San Francisco

Should you desire to use the facilities of other Federal Reserve Banks and Branches, please advise this Department and the necessary action will be taken.

The Treasury is pleased to offer its facilities in connection with this matter.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

HARabon:me 1/8/45

Regraded Unclassified

WAR DEPARTMENT  
WASHINGTON

JAN 6 1945

Dear Sir,

The Secretary of the Treasury.

My dear Mr. Secretary:

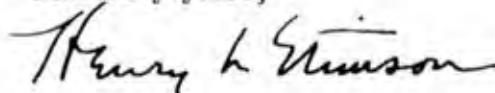
Pursuant to Executive Order No. 9508 of December 27, 1944, the President has directed the Secretary of War to take immediate possession of certain plants, facilities, properties (real and personal), and assets of Montgomery Ward and Co., Inc. (hereinafter referred to as the Company) and to operate, or to arrange for the operation of, the Company in any manner that is deemed essential for the successful prosecution of the war and do all things necessary incidental thereto.

A portion of assets of the Company which are currently flowing into the War Department management now in charge will be needed for operations. It is requested that arrangements be made to establish a special deposit account with the Treasurer of the United States for my special representative under the following title:

"Major Frederick W. Reese, M.J., Special Representative of the Secretary of War, Custodian, The War Department Representative operating certain plants and facilities of Montgomery Ward and Company, Inc."

and to develop a suitable procedure for the collection through Federal Reserve banks of incoming bills of exchange (checks, drafts, and money orders, etc.) payable to Montgomery Ward and Company, Inc., and for the deposit of the proceeds of such checks in that account.

Sincerely yours,



Secretary of War.

January 9, 1945  
10:40 a.m.

CURRENCY

Present: Mr. D. W. Bell  
Mr. Gaston  
Mr. O'Connell  
Mr. Haas  
Mr. Luxford  
Mr. DuBois  
Mr. Ireby  
Mrs. Klotz

H.M.JR: Yesterday morning when I talked to you people about this question of money, I had not seen this article which was circulated--I had not seen Robey's article. I really think somebody around the Treasury ought to collect these things besides myself. There is an article in the January 5 United States News completely devoted to this. There are a lot of people interested.

(Reading article from United States News) "Over-supply of Currency: Symptom of Lawbreaking. Use of huge cash excess for tax evasion and black market deals." Here is this pictograph. So we are being shoved on this thing. I was afraid we would wake up some morning and find somebody saying, "Why the hell doesn't the Treasury do something about it?"

Here they have tax evasion. It says, "Tax rates at their wartime levels offer a great incentive to evasion. In this evasion, currency is a big help. Transactions in cash are difficult to trace. That is one big reason why there now are 40,000,000 \$100 bills circulating or in hiding, or more than twice as many as were in use only two years ago. Other signs of tax evasion are numerous, too, to pay for goods and services in currency, rather than by check, although by no means are all such demands related to tax evasions."



- 2 -

We might be the spearhead of this and push everybody else. I am looking down; I am not looking up.

MR. BELL: You can look up. Kent says, "Not the least of the problems for which the Treasury is not too well equipped to handle are those created by the almost incredible amount of money which has come to be in circulation. No one so far has adequately explained it. Mr. Ralph Robey, one of the most eminent authorities in the country, asserts that so far as the general expansion is concerned there is almost unanimous agreement among students of finance on the reasons:"

MR. GASTON: That article is like all of Kent's articles, rewrites of somebody else's. That is entirely a rewrite of Ralph Robey's article.

H.M.JR: This one in the paper here, "The National Week, is no rewrite, "Tax Evasion and Black Market Deals."

Would Irey be of any assistance if he sat in on a conference like this?

MR. GASTON: He might, yes. I think he would.

MR. LUXFORD: Mr. Schmidt might be of help too on the foreign angle.

H.M.JR: I don't want to get it too big; you boys know enough about that. I mean, I don't want to get hit over the head on this thing.

MR. HAAS: We have to work out some way to cut down the criticism of the Treasury. Isn't it somewhat like a crime, people stealing money from the Treasury? The police say you didn't have this cash control--

H.M.JR: Don't let's be smart about this.

MR. HAAS: I wasn't trying to be smart.

H.M.JR: There now are forty million one hundred dollar bills in circulation.

- 3 -

MR. BELL: Four billion dollars.

MR. GASTON: Wouldn't it be a good idea for George to make a graph of circulation, going right back to 1933 and show that curve upward?

H.M.JR: They have one.

MR. BELL: We have one, too.

MR. GASTON: It has been pretty steady from the bank holiday on.

MR. DuBOIS: There are lots of twenties in circulation, too.

MR. BELL: Eight million.

MR. GASTON: This is just from '39. It started in '33.

MR. BELL: There is a total of four billion in one hundred dollar bills, and anything over one hundred only amounts to a billion and a half dollars.

MR. HAAS: Isn't the problem this, Mr. Secretary: If we are running these deficits, then we are putting money out, and somebody is getting the surplus. Then it is a question of whether these people want to hold money in the form of bonds or checking accounts. Now, a great many people want to hold it in cash or checking accounts, and it is not alarming. I think you have to have a large volume because, because you have large deficits, and I don't think that is generally understood.

MR. GASTON: Interest rates are very, very low, and--

MR. HAAS: I think the common people, with the uncertainty around as the Likert study in Louisville showed, the arguments on cash--they don't know whether they are going to lose their jobs, and cash is something they feel they don't have to worry about.

- 4 -

MR. DuBOIS: You have a good precedent in the case of Great Britain. In Great Britain the highest note is five pounds, and even that, the five-pound note, doesn't circulate freely.

MR. HAAS: They did this in Great Britain. They stopped issuance of large bills, and the increase in circulation dropped down.

(Mr. Irey enters the conference.)

MR. GASTON: Are they issuing ten-pound notes?

MR. DuBOIS: I don't think so.

MR. LUXFORD: Mr. Secretary, do you remember Mr. Oliphant was interested in this proposal back in '35, '36, and '37? He worked on it. At that time he was interested in gangsters and tax-evasion. There is a file on it.

H.M.JR: No, I don't remember.

Well, Bell says there has been nothing done since we met yesterday, but--

MR. O'CONNELL: That is not quite right.

H.M.JR: He is talking for himself.

MR. O'CONNELL: I talked to Herbert and the boys who had been working over the week end, and they hoped to have a document for you and Herbert and the rest to look at tomorrow.

H.M.JR: What lines are they--

MR. O'CONNELL: They are working along lines you mentioned yesterday. Without attempting to go into detail as to the reasons or justification for it, we tried to see if we couldn't outline the mechanical arrangements necessary for a plan under which we would call in currency above the denominations of twenties, and that really just

- 5 -

goes a step beyond the terms that had been prepared, as you say, some months back, and I had hoped we would have something by tomorrow for you people to look at, so we are not really at fault.

MR. BELL: I intended to call a meeting, but yesterday was just a bad day because of the party last night.

MR. GASTON: Where was that?

H.M.JR: Irey, if you read that, you will get the gist of the enforcement idea. If you have anything-- Gaston said you did. I still say I know my Washington. I know these articles. You get two or three warnings. I didn't see any of these articles when I brought this thing up. I still think that we ought to move.

Now, when will you have something?

MR. O'CONNELL: Tomorrow.

H.M.JR: Along what line?

MR. O'CONNELL: Along the lines of the outline of an operation which would involve calling in all bills above twenty dollars, and that will be at least the outline of the basis for it and the way in which it can be done. I didn't understand we were going to try until we had talked together further to decide whether or not it would be done. You asked us yesterday to prepare an outline of what mechanically would have to be done to put it into effect.

H.M.JR: Will you be ready?

MR. O'CONNELL: Tomorrow?

H.M.JR: Three o'clock.

MR. O'CONNELL: All right.

H.M.JR: This same group. If White is here, he can come in.

- 6 -

Well, there is no use talking today. I think I am going to get Viner down here. Jake is talking about excess reserves, and so forth.

MR. GASTON: I think that would be a good idea.

H.M.JR: Jacob Viner is a University of Chicago official.

MR. HAAS: Stewart--probably he isn't here.

H.M.JR: I think we need somebody to concentrate on this thing.

MR. HAAS: Warren is here today. He is Stewart's right-hand man. I didn't feel free to discuss this with him.

H.M.JR: Discuss it with him, but caution him, and you might tell him, "Will you please explain this to Walter Stewart?" I would like to get Stewart's reaction. Do you know how Walter Stewart is?

MR. HAAS: I haven't heard.

H.M.JR: Ask Warren.

MR. BELL: The last I heard he was feeling pretty good, but the doctor still wouldn't let him take on any extra duties.

H.M.JR: I don't think he wants to.

MR. BELL: I don't think he wants any heavy job.

H.M.JR: No, I don't think so.

Do you have any suggestion?

MR. IREY: I have nothing on this, Mr. Secretary. When this fellow Robey wrote this story he came in to see me to get information, but--

- 7 -

H.M.JR: Somebody suggested yesterday that the way to do this was to go out and get some good examples of people evading tax laws through using large bills. Have any of our law-enforcement people run into this thing at all?

MR. IREY: There may be something in the black market phase of it; they may have run across something involving large bills. I know they have run across great amounts of cash being handled back and forth.

H.M.JR: Could you have a discreet talk with Berkshire?

MR. IREY: Davis and Woolf have been working together on this thing from both alcohol tax and income tax angles.

MR. GASTON: You put a little special group on it, didn't you, Elmer?

MR. IREY: Yes.

MR. LUXFORD: If you will check your newspaper files, you will find that almost every time a large gangster or political boss dies, you will find in his estate he has a huge amount of cash. I remember Bill Thompson in Chicago. You will find it just always runs together.

H.M.JR: Anyway, we will have another meeting tomorrow at three. You have all got nothing to do. Evidently, there is a lot going on on this thing.

MR. DuBOIS: There have been a number of articles before, Mr. Secretary.

MR. LUXFORD: Sylvia Porter has been boosting for this a long while.

H.M.JR: Can I have that back, Elmer?

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MR. IREY: Yes. (Hands Secretary United States News.)

H.M.JR: All right, we will meet again at three tomorrow.

MR. BELL: O.K.

H.M.JR: Possibly you can have a trial run in your own office.

MR. BELL: If we could do something this evening-- I am pretty well tied up tomorrow morning.

MR. O'CONNELL: I will try to get the boys to be prepared by the end of the day.

MR. BELL: Four-thirty today.

MR. O'CONNELL: Have it as late as possible. I have to go to the Bureau, but I will be back at four-thirty.

INTERNAL REVENUE  
BRETTON WOODS  
WAR FINANCE FILM

January 9, 1945  
11:05 a.m.

Present: Mr. Gaston  
Mr. O'Connell  
Mrs. Klotz

MR. O'CONNELL: On this man Bazelon, who was suggested by Jim Patton and several others for Assistant Commissioner, my view about him is--and Herbert agrees, as stated in that memorandum--we should be able to do much better than Mr. Bazelon. He has been a perennial candidate for Assistant Commissioner for some years, and the last time he was a candidate, I think Hannegan was Commissioner, and Hannegan at that time was very much thumbs-down on him, although now he is a reluctant sponsor of it. He has the support of Mayor Kelly and Senator Lucas of Illinois. He is a Chicago lawyer.

After talking to Herb, and after Herb talked to you, I called Ralph Reed, who used to be a special assistant or technical adviser to the Commissioner out in California. He is quite interested.

I have an appointment to talk about the general situation with the Commissioner at eleven o'clock. He is coming into the office--probably coming in now. I was going to go over what I had done and call Reed about your judgment, that we all seem to share, that Berkshire would not do, and I was hopeful you would let us proceed and get a man of the caliber of Reed. Anybody would agree he would be head and shoulders above Bazelon.

H.M.JR: Is that for the Assistant Commissioner in Washington?

MR. O'CONNELL: Yes.



H.M:JR: I thought it was somebody for Chicago.

MR. O'CONNELL: We put Campbell in.

MR. GASTON: He was Carter Harrison's assistant.

MR. O'CONNELL: This is Assistant.

H.M.JR: Was Campbell good?

MR. GASTON: One of the best in the country. He is also the brother of the man who was Democratic candidate for Governor, and he is very well liked in political circles in Illinois.

Don't you know about Campbell? I wrote a note to you about Campbell. That is one you didn't read, I see. It didn't get to you, or something.

H.M.JR: Just for fun, check.

MR. GASTON: I will check and see. That was my impression.

MR. O'CONNELL: That man Bazelon came in to see me with Jim Patton and Randolph Paul.

H.M.JR: What do I do with that memo?

MR. O'CONNELL: Nothing. I think you signed a letter to--accompanying this was a letter to Patton, some non-committal letter saying--

H.M.JR: Will you (Klotz) check?

MR. O'CONNELL: I wrote a reply which went with the memo just saying, "It was good to have your recommendations," and so forth. I don't think this is anything like Mr. Patton--I know Randolph was very careful not to say much of anything endorsing this fellow, but he did bring Patton in to see me. Patton has used this fellow on a couple of tax cases. He is a competent tax lawyer. You can ask him any question, and he readily answers.

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H.M.JR: What else?

MR. O'CONNELL: This other thing is a memo which was written to you the day I was ill and signed in my name in connection with reprints of the article you wrote on Bretton Woods.

(The Secretary holds a telephone conversation with Mr. Viner, as follows:)

January 9, 1945  
11:05 a.m.

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HMJr: Hello. Hello.

Jacob  
Viner: Hello.

HMJr: Jake Viner.

V: Yes, sir.

HMJr: How are you?

V: Happy New Year.

HMJr: Happy New Year. How's your family?

V: Fine.

HMJr: Good.

V: How are your boys?

HMJr: They're all right, thank you.

V: Where are they?

HMJr: Well, one is with the Third Army in France and the other one is in the Pacific.

V: Uh huh.

HMJr: How about your boy?

V: Well, Arthur came back from the Mediterranean. He's on the Atlantic Coast run from New York to Cuba.

HMJr: Oh. Well, that's good.

V: Yeah.

HMJr: That's good. Jake, could you come down here a couple of days and help us?

V: What -- what's the problem?

HMJr: Well, one, they're worrying about excess reserves....

V: Uh huh.

HMJr: .... again -- it's chronic.

V: Yeah.

HMJr: And the reserve requirements.

V: Yeah.

HMJr: And the other one is super-confidential. It's this whole question of the amount of big bills outstanding.

V: Oh, yes. Well, when would you want me?

HMJr: As usual, the sooner, the better.

V: You mean you have no special day, so I can -- whenever I can arrange ....

HMJr: Well, I'd like, if possible, this week.

V: This week?

HMJr: Yeah.

V: Well, I'll come then as soon as I can arrange transportation.

HMJr: Well, we can arrange it if you'll send ....

V: You can? Well, then -- you want me for two days?

HMJr: Well, that's -- I don't know -- at least two days, I'd say.

V: Thursday and Friday be all right?

HMJr: Thursday and Friday would be fine.

V: Is Saturday any use to you?

HMJr: Pardon?

V: Is Saturday any use to you?

HMJr: Yes.

V: Is Sunday any use to you?

HMJr: No.

V: Well, then, supposing I try -- I make it Thursday, Friday and Saturday.

HMJr: Thursday, Friday and Saturday. Now, you'd like ....

V: I'd like a roomette.

HMJr: A roomette on Wednesday?

V: On Wednesday on the Capitol Limited. That -- that runs on time. The Pennsylvania doesn't run on time.

HMJr: No. You'd like a roomette on Wednesday on the Capitol Limited ....

V: Yeah.

HMJr: And you want to return on the same train Saturday night?

V: Saturday night and Hotel Hay-Adams, if possible.

HMJr: Hotel Hay-Adams if possible.

V: Yes. Tell them it is for me; that will help because they usually go out of their way.

HMJr: Anything special you want for breakfast?

V: What do I want for breakfast?

HMJr: (Laughs)

V: Grape nuts.

HMJr: (Laughs) We like to please down here.

V: I know you do.

HMJr: (Laughs)

V: Well, I'll be there if you provide me with the transportation.

HMJr: I'll ....

V: It's your own idea about the transportation.  
HMJr: I'll take care of everything.....  
V: All right. Fine. I'll be glad to come.  
HMJr: .... including the Grape nuts.  
V: Yeah. That's Thursday, Friday and Saturday.  
HMJr: That's right.  
V: All right.  
HMJr: Remember me to your wife.  
V: I'll do that, thank you.  
HMJr: Good bye.

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MR. O'CONNELL: I had no more difficulty about the legal propriety of printing the article you signed.

H.M.JR: Isn't there something about publishing-- circularizing--

MR. O'CONNELL: You are thinking of the frank. That presents a little different question.

H.M.JR: ...propaganda--who pays for it.

MR. O'CONNELL: We are at least entitled to pay for sending any documents on Bretton Woods. The fact that you signed it doesn't change the character at all.

MR. GASTON: No, I don't think so. Then we can get requests, I should think, from officers of the organizations to take care of the franking.

MR. O'CONNELL: Franking presents a peculiar problem. You can't send special types of material through the mail under franking, except on request of someone, and that came up in connection with Bretton Woods material which we sent to Columbia's Political Science Department. They mailed them out with our frank, and that violated two statutes. You can't let any private firm or corporation use the frank, and, two, Government agencies may not frank material of this type, except on request. Now, that really means to be on the safe side you should not mail copies of this without postage, except on request, but I could buy postage under the Stabilization Fund, and that is what I have said here.

MRS. KLOTZ: That is what Bernstein says.

H.M.JR: Furnish the blanks to Luxford, and let Luxford handle it. And tell him that when they mail them out they should be sure they live up to the statutes of the law. He knows what it is.

MR. GASTON: How many are you getting?

H.M.JR: Three thousand.

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MR. GASTON: And how many of Harry's do you think?

H.M.JR: I suggest that you get three thousand of Harry's, too.

MRS. KLOTZ: Three thousand of each.

MR. GASTON: I thought they ought to have at least five thousand of each. My original suggestion was ten.

MRS. KLOTZ: Five thousand instead of three.

H.M.JR: You people aren't ready to talk about these requests from Harriman? There was a letter from Hannegan.

MR. GASTON: That is Pehle on Procurement.

MR. O'CONNELL: Is there any reason why I can't go ahead and make the recommendation for Larry Lesser as Chief Counsel in Procurement?

H.M.JR: No.

MR. O'CONNELL: I would like to make that recommendation; I have him as Acting Chief Counsel in my office, and I said I would make that recommendation.

H.M.JR: Pehle would be delighted. Let it come from Charlie Bell.

MR. O'CONNELL: Sure.

(Mr. O'Connell leaves the conference.)

MR. GASTON: I have dictated a memo for you on this film. Gamble's idea was not to have you read all the stuff about the advantages and how much they are worth each year, but he was going to have you read a small opening paragraph, and they would animate that stuff with a commentator reading. Then you would close with just so much stuff saying that the--

H.M.JR: Nobody could dream that, could they?



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MR. GASTON: Not unless they were told, and I wasn't told.

H.M.JR: I suggested that.

MR. GASTON: Yes, you did.

H.M.JR: Well, when do you want me to do this?

MR. GASTON: Well, they would like to have it as soon as possible, and I think they can arrange it nearly any day.

H.M.JR: I could do it. Where do I go, over to the White House? Or would they do it here?

MR. GASTON: I think Mr. Engelman's idea was to do it across the hall in the chart room.

H.M.JR: Let's set it up for four o'clock tomorrow, Wednesday.

MR. GASTON: We will do that.

H.M.JR: And if I could have that thing to take home with me I could memorize it.

MR. GASTON: I will send it when it is ready.

January 9, 1945  
11:23 a.m.

HMJr: Okay, Grace.

Grace  
Tully: Good.

HMJr: What are the chances of the President's seeing Stettinius and myself?

T: Well, it just looks like -- I can't -- he's got the leaders this morning and he's starting over here at 12:15 and goes right up until luncheon time. He's got press this afternoon.

HMJr: Well, I understand that -- I didn't get this direct but I understand that Stettinius is leaving for a week's vacation tomorrow.

T: Oh, really?

HMJr: So, if he was going to see us, I think he ought to see us in the morning.

T: Uh huh. Well, all right, let's make it in the morning. This looks like a pretty crowded day so you would have a very little time.

HMJr: Yeah. Well, this Assistant of Stettinius' who comes over and posts me on foreign affairs said he was leaving at noon tomorrow.

T: I see. Well, all right, let's find out if we can't make it in the morning then.

HMJr: Will you do that?

T: Right, sir, I will.

HMJr: Thank you. And did the President ever read my memorandum on the Russian financing?

T: No, I don't really know, Mr. Secretary.

HMJr: Well, I wrote him a letter which -- sending him a proposal on how to finance post-war Russia.

T: Yes.

HMJr: You might take a look.

T: All right. Fine.  
HMJr: Thank you.  
T: You -- he already has a copy of it?  
HMJr: Yes, he has.  
T: All right. Fine.  
HMJr: Thank you.  
T: All right, Mr. Secretary. Bye.

January 9, 1945  
2:17 p.m.

HMJr: Hello.

Secretary  
Stettinius: Hello, Henry.

HMJr: How are you?

S: Good, sir. How are you today?

HMJr: Okay. Ed....

S: Yeah.

HMJr: .... when is a good chance or opportunity for you to let me make that presentment about how we feel about the future treatment of Germany?

S: Well, Henry, any time at your convenience. I've got to go to New York tomorrow afternoon ....

HMJr: Yes.

S: Tomorrow noon -- to make a movie....

HMJr: Yes.

S: .... on Thursday and Friday on our international organization.

HMJr: Yeah.

S: And then after that, my movements are uncertain....

HMJr: Oh.

S: .... for reasons that you know....

HMJr: Yeah.

S: .... or that you can guess.

HMJr: Yeah.

S: Now, why don't you -- I hate -- I'd like like the devil to be here, but I think it's awfully important to get on with it.

HMJr: Yes.

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S: Would -- how would you feel about coming over and doing it and let Joe Grew preside and do it this week? Or would you rather take a chance on next week and my being here?

HMJr: No, the whole object is to do it in your presence.

S: Yeah.

HMJr: So I'll take a chance on your coming back.

S: Well, now -- then I will leave it -- put the responsibility on me, then, to communicate with you....

HMJr: I'll do that.

S: .... early -- early next week.

HMJr: Will you do that?

S: I'll do it.

HMJr: Now -- yeah -- now, I don't -- no, the whole thing that I've got in mind -- I want a chance to do it with you there, and you surrounded by whomever you want.

S: All right, Henry. Now, I will, I will be in touch with you ....

HMJr: All right.

S: .... early next week.

HMJr: I'll adapt myself to you.

S: All right, old boy.

HMJr: Now ....

S: It will probably be the -- around the 16th -- Monday or Tuesday of next week that I'll be in touch with you.

HMJr: Now -- right -- now, I -- Yost told me that you were going away tomorrow ....

S: Yeah.

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HMJr: And so I asked Miss Tully whether she wouldn't try her best to get you and me in tomorrow morning.....

S: Yes.

HMJr: .... on this committee business.

S: Yes.

HMJr: And then, in view of the information that Yost gave me about this cable from Harriman and Molotov on the future economics of -- of Russia....

S: Yes.

HMJr: .... which is right down the alley of that memorandum I sent the President.

S: Right.

HMJr: If we get to see him, I'd like to raise that also.

S: Right.

HMJr: And I'm telling it to you now to make sure that's agreeable to you.

S: Entirely agreeable, Henry.

HMJr: Particularly in view of Harriman's cable.

S: Right.

HMJr: Because, you remember, in my letter to the President I said I thought that was bothering him.

S: Right.

HMJr: And so if we get in, it will be just those two matters I have in mind.

S: All right, Henry, I'll be prepared on both.

HMJr: And may I again continue to compliment Yost? And what he gives me, I don't pass on unless I first ask him whether I can pass it on.

S: Yeah. That's terribly important so we can have a complete -- I mean, it's just as if you and I were talking ....

HMJr: Well ....

S: .... when he talks to you.

HMJr: .... I'm not going to pass anything on unless I ask him first. Now, I asked him whether I could show White that stuff on the Argentine.

S: Yes.

HMJr: And he said, "Yes".

S: Yes.

HMJr: And it will be just White and nobody else.

S: That's fine, Henry.

HMJr: But I will not pass anything on to anybody unless I first consult him and give him a chance to consult you.

S: I understand.

HMJr: But he is exceptionally good.

S: Thank you, sir.

HMJr: Right.

S: All right, old boy.

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Two attachments marked "Eyes Only"  
in HM, Jr's handwriting

Gave sealed envelop to Mrs. Shanahan  
with message from the Secy that when Dr. White  
is well enough to read, she should send him the  
envelop, but nobody else is to see it.



January 9, 1945

TO: Dr. White  
FROM: Secretary Morgenthau

Dear Harry:

Mr. Yost has given me the two enclosed highly confidential documents. I don't want anybody to see these except yourself. After you have read them please bring them in personally to me. I would like to discuss this with you. *Done*

January 9, 1945 137  
2:32 p.m.

HMJr: .... I'm talking at you but what I'm saying is meant for him.

Tom  
Lynch: Yes.

HMJr: Now, I was told Saturday afternoon that Senator Wheeler said some very uncomplimentary things about me.

L: Uh huh.

HMJr: About four times a year I ask that "blankety-blank" Legislative Section from the General Counsel's office to watch for things on the Hill which are said about me or about the Treasury.

L: Uh huh.

HMJr: Now, when something is said about me, it's a question how we should answer it.

L: Yes.

HMJr: And it's just inexcusable. They know that. When Joe gets back, please tell him. I don't want to always be complaining but they should read the Congressional Record.

L: Uh huh.

HMJr: And now -- after all, here Wheeler went on the air Saturday night and said something about Stettinius and bingo, right back comes Stettinius.

L: Uh huh.

HMJr: He says that I want to slay the German people and nobody brings it to my attention until a friend calls me from outside.

L: Huh. Well, I'll -- I'll ....

HMJr: So we've got to do something.

L: Yes. Yes. Well, I'll bring it to Joe's attention, and in the meantime, I'll certainly get right on this, too.

HMJr: And find out who's reading the Congressional Record and what the hell do they do after they've read it.

L: Yes. Yes, I will, sir.

HMJr: I mean, I do - as I say, I'm telling you this -- everything I say is meant for Joe.

L: Well, that's -- it should be meant for me, too, because I'm responsible for it -- I mean, under Joe.

HMJr: All right.

L: I mean, I feel I should find out, too, about this. Thank you.

HMJr: I look to you people to look after the good name of Morgenthau on the Hill.

L: Yes. '

HMJr: And the Treasury. Or vice versa.

L: Yes, sir.

HMJr: All right.

L: Fine. Thank you.

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date JAN 9 - 1945

TO Secretary Morgenthau  
FROM Mr. O'Connell

I regret that Senator Wheeler's reference to you on the Senate Floor on Saturday, January 6 (Congressional Record, page 87) was not brought to your attention.

To avoid the possibility of other lapses, I have directed that the Record be double-checked by two people and a summary report be given to me as early as possible each morning covering, in addition to legislative action, any references to officials of this Department or the Department itself.



January 9, 1945  
2:37 p.m.

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Operator: Mr. McCloy.

HMJr: Hello.

John J.  
McCloy: Hello.

HMJr: How are you?

M: How are you? Fine.

HMJr: Good. Jack, in regards to your letter of  
January 5th -- just to make sure I'm correct,  
do I understand now that all of our suggestions  
have been accepted?

M: Yes. The letter that I sent to you, I sent  
preparatory to my meeting.

HMJr: Yeah.

M: When I got to the meeting I found I could get  
more than I thought I could get.

HMJr: Would you mind writing me another letter so that  
we can have it for our written record?

M: Okay.

HMJr: Is that asking too much?

M: No. No.

HMJr: Just ....

M: Now, there's one thing more that's come up ....

HMJr: Yes.

M: .... on the financial directive.

HMJr: Yes.

M: Bernstein, when he came back ....

HMJr: Yes.

M: .... although we had passed this new 1067 with  
your people ....

HMJr: Yes.

M: .... before Bernstein had come back -- when he got here, he wanted to change it again. I have -- I don't know whether I can change it in relation -- in respect to all the things that he wants now to change it. I may have to go back to the original 1067 as it was agreed with Harry White and all the rest around the table with the State Department -- and get that over, then subsequently put in an amendment because I have this other element which is an agreement with the Joint Chiefs of Staffs, that I shall not change 1067 in substance beyond where it was originally when they passed it as a joint directive. Now, Bernstein may want to -- it may be desirable to change it, but I may not be able to accomplish all of his changes for that reason until some later date.

HMJr: Well, without trying to let Bernstein down in any way, I'm just not up to the minute on this.

M: Yeah.

HMJr: Now, he may have been talking with our men about it.

M: Yeah.

HMJr: And I'll have to ask them because, frankly, I don't know.

M: Well, there's that -- I've got to play -- keep three balls in the air. In the first place, I don't know whether you know or not, but I've had quite a battle on the side with 1067 -- with the State Department to keep it on -- there've been a good many efforts to scrap it.

HMJr: Well, it's just a little hear-say, but I did bring that up on the dinner or luncheon that Stettinius gave us.

M: Yes.

HMJr: This whole business of having a three-sided triangle and ....

M: Yeah.

HMJr: .... only two sides are working....

M: Yeah.

HMJr: .... Treasury and War -- I don't know whether you heard about it.

M: No, I didn't hear about that.

HMJr: And that a three-sided triangle should work all three ways.

M: Yes.

HMJr: And Matthews was present.

M: Yes.

HMJr: Stettinius said that he did want us informed.

M: Yes.

HMJr: And that we should be kept informed.

M: Yes. Well, that's right.

HMJr: And that -- and he subsequently told me that he asked the President whether it was all right to keep us informed and the President said, "Yes".

M: Yes.

HMJr: So I think from now on things will go much better.

M: Well, I think that he is keeping you completely informed. On the other hand, there has been ....

HMJr: I know.

M: .... this by-play; and it's not only here but also in London.

HMJr: Well, you keep me informed.

M: I'll keep you informed.

HMJr: I say, you have always.

M: Good. Well, I ....

HMJr: But I'd have to ask them, and somebody over there would sit on it.

M: Yeah.

HMJr: And Stettinius was asking for full cooperation.

M: Yes.

HMJr: So I said, "Well, I don't like to pick on Matthews, but let me give you a good example."

M: Yeah.

HMJr: And I said, "And this is the best example I know."

M: Yes.

HMJr: And both Stettinius and Grew said, "Well, from now on that won't happen...."

M: Yeah.

HMJr: "... anymore." So I think that we'll get much better cooperation.

M: Yeah. Yeah.

HMJr: But this other thing that you bring up, as I say, it must be something else, but I just wanted to be sure that we understood each other....

M: Yeah.

HMJr: .... and if you didn't mind writing me a covering letter ....

M: No.

HMJr: .... and then we'll have it all right and I'll make inquiries just what Bernstein is pushing for.

M: Yeah. All right. And I don't mean to call him off, but I may not be able to get at this stage of the game ....

HMJr: Yes.

M: .... by reason of my relations with the -- because I'm not going through the Joint Chiefs of Staff again at this stage -- you see?



HMJr: Don't you like to do that?

M: Well, I don't want to go through them every ....

HMJr: No.

M: .... time I turn. I had their basic approval originally. Then I began to see that there were some people down there that apparently had been touched, who wanted to sort of change their minds.

HMJr: Yes.

M: And I said, "Well, I don't want to send it down there again until we make something which is really a change in it."

HMJr: Right.

M: Now, I'm going to make them stand by their original agreement to it.

HMJr: Yes.

M: I don't want them to review what they did before. So I -- and I talked it over with Marshall and he said, "You go right ahead on that basis," but I do have a representation out for them that I am not changing it substantially. You see? So I can't follow possibly all that Bernstein would like to have done at this stage, although I may be able to do it later.

HMJr: We'll look into it again ....

M: Okay.

HMJr: .... and as far as -- I can only say I've got a hundred percent cooperation on this 1067 from you.

M: Well, okay.

HMJr: I'm very much pleased.

M: All right.

HMJr: Bye.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

January 9, 1945.

TO Secretary Morgenthau

FROM Mrs. Shanahan

I discussed with Mr. White over the phone the subject of your conversation with Mr. McCloy, regarding JCS 1067.

Mr. White wanted you to know that he, Mr. Glasser and Mr. DuBois discussed the changes thoroughly with Colonel Bernstein, and Mr. DuBois represented the Treasury Department at discussions in the War Department with Colonel Bernstein. The suggested changes arose out of Colonel Bernstein's lengthy discussions with the people over in London who are going to try to interpret some of the statements in a way which we do not like. The people over there are ready to go further than we thought they would go and the changes are entirely satisfactory to us. Mr. White told Colonel Bernstein if he could get the changes easily (they are mostly technical) he could tell them that we were behind them, but if he had the slightest trouble to let us know. Mr. White said Colonel Bernstein went over the changes with Mr. DuBois and Mr. Glasser prior to discussions at the War Department and assumed that Colonel Bernstein confined himself to changes discussed with us; he said we would be behind them if he could get them easily. If he could not get them easily, he was to let us know.

Mr. Glasser and Mr. DuBois are informed on this matter in case you wish to talk to either of them.

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January 9, 1945  
2:50 p.m.

RATE FOR FORMOSA  
LOAN TO RUSSIA

Present: Mr. D. W. Bell  
Mr. Luxford  
Mr. DuBois  
Mr. Glasser  
Mrs. Gold  
Mrs. Klotz

H.M.JR: I tell you what I am going to do. I haven't time to assimilate this; I have been putting it off. Have you done the basic work on this?

MISS GOLD: Some of it.

H.M.JR: And you? Who else?

MR. GLASSER: I was only involved once, but Luxford and DuBois played a part in it last spring, almost a year ago.

H.M.JR: Are they in on this? Maybe I ought to say what are they not in on. Maybe we ought to ask them to come in.

H.M.JR: I don't get this business.

MRS. KLOTZ: Did you say something to me?

H.M.JR: I said that I have to argue about this a little bit. I can't do this thing in split seconds.

(Mr. Luxford enters the conference)

H.M.JR: From now on when I hold conferences I am going to say, "Let's include Luxford and DuBois unless they don't want in on it." Were you in on this summary

of suggestions for the provision of ten billion dollars to be loaned to USSR?

MR. LUXFORD: That is right.

H.M.JR: how much?

MR. LUXFORD: I have worked along with it.

H.M.JR: recently?

MR. LUXFORD: recently. I revised it before Harry had it.

H.M.JR: Is this a memo for Harry?

MR. GLASSER: That is one we just did. I don't know whether you were in on this.

(Hands Mr. Luxford Memo on "Can't the USSR Service A Ten Billion Dollar Loan?")

That is the longer one Harry did.

MR. LUXFORD: No, this is a memo to the President.

H.M.JR: No.

MR. GLASSER: This is the memo. (Hands Luxford memo to the President on "Ten Billion Dollar Credit to the USSR")

MR. LUXFORD: But I revised that, and he has it on his desk now, a revision of it.

H.M.JR: The point is, chances are it may come up tomorrow morning.

(Mr. DuBois enters the conference.)

H.M.JR: Are you (DuBois) working on the long-term loan to Russia?

MR. DuBOIS: Yes.

H.M.JR: How much--

MR. LUXFORD: All of us worked together for a long while.

MR. DuBOIS: Previously I worked for some time on it.

MR. LUXFORD: This has been revised.

H.M.JR: You may change your mind so you are not in on this. I will hit this tonight at eight-thirty.

Are you all right?

MR. GLASSER: All right.

H.M.JR: Supposing we do it. If I can concentrate on this thing for an hour, I can really get it into my blood stream.

MR. LUXFORD: Right.

H.M.JR: I am pretty busy tomorrow morning. I am afraid--

MR. LUXFORD: The only thing I put in the last memo to the President on this which you might want to consider was that while we should carry on negotiations now with the USSR, probably the matter should not be raised before Congress until after we get Bretton Woods through, but the only significant point added--

H.M.JR: He should have something he can take with him on his trip just the way he did on the London thing. The English--did you work on that?

MRS GOLD: Yes.

H.M.JR: You did?

MR. GLASSER: Yes, I did some.

H.M.JR: Anybody else?

MR. GLASSER: No.

MR. LUXFORD: Casaday came in.

H.M.JR: He is not here now.

Mr. GLASSER: Yes.

H.M.JR: What is he on, Russia, now? He was on English.

Is eight-thirty a good or bad time? If the four of you wouldn't mind, I would only keep you an hour. But I have just got to get this thing in.

MR. LUXFORD: Here, or at your home?

H.M.JR: Yes, at home. Who else is in on the rate for Japan?

MR. GLASSER: Luxford has done a little on that, but Mr. Bell, Harry and I--

H.M.JR: All right. Are you in on that?

MRS. GOLD: No, Mr. Secretary.

H.M.JR: Are you in on it?

MR. DuBOIS: No.

MR. LUXFORD: If you want me in on it--Glasser knows we are in agreement on any views on it.

H.M.JR: I will see the four of you. Please do your best to have it condensed and simple, not something for now, but something the President can have. For instance, when Churchill started to talk about Lend-Lease, Professor Lindeman handed him a memo which I saw, giving him all the arguments. He had that in his lap, you see, to read. Write something that the President could have if he wants to bring it up, or if Stalin brings it up, in that kind of form.

MR. LUXFORD: We had added to the end of Harry's suggestion just to work out with Stettinius a statement. If you wish, Stettinius and you can work this out further, the

thought being the memo will ultimately get to him, anyway, and it is better to have the window dressing in there.

H.M.JR: That is unimportant. I talked to Stettinius this afternoon, and he said, "I will see the President, and I am going to bring it up, especially--" I can't say now--he had a good reason, a favorable reason.

MR. LUXFORD: I am sure.

H.M.JR: I will see you then.

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

H.M.JR: You had better tell her how to get to the house, will you?

MR. GLASSER: Yes, sir.

(Mr. Luxford, Mr. DuBois, Mrs. Gold leave conference)

H.M.JR: This is on your letter.

MR. BELL: On me?

H.M.JR: Your letter of January 6 to Mr. Grew on the ten-cent rate for Formosa, which means nothing in my young life. I will flip a coin with you.

MR. BELL: Well, that is about the way most of us feel about it, I think, except that the technical boys felt on economic grounds that the ten-cent rate was not justified over at the conference Saturday morning. Over at the conference in Mr. Grew's office on Saturday Harry took the position that you had taken previously, that if the State Department wanted to set a ten-cent rate on political grounds and assume the responsibility, that would be all right with the Treasury. Harold feels that this is a military rate, whatever you call it; whether it is economic or political, it is still a military rate, and that letter is all right. It does put the responsibility right back on the State Department, and I think that is in line with the policy you set with Germany. Wasn't it Germany? Yes.

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MR. GLASSER: It is along the line we took in Italy, too.

MR. BELL: They accepted our rate in Italy.

MR. GLASSER: That is true.

MR. BELL: We fixed the rate in Italy, and in France we had a little--when we insisted on seventy-five, State wanted fifty, but we set it at seventy-five, and then the President came along and said he would like to separate it.



~~SECRET~~

Summary of Suggested Provisions for the \$10 billion  
Loan to the U.S.S.R.

Suggested financial provisions of the loan

1. The interest on the loan may be low, perhaps 2% because an important part of the repayment to the U.S. would be the agreement by the U.S.S.R. that the U.S. will have the right to purchase each year up to a pre-agreed upon maximum of strategic commodities at reasonable prices. This guarantee of a long-term source of important strategic materials would be at least as valuable to the U.S. as the interest payments.
2. Such a loan should be granted for a period of about 35 years, with a rate of amortization scheduled to extinguish the debt in that time.
3. A possible schedule of repayment for a loan of this character is appended.

It will be noted that the schedule calls for annual payments, including interest and amortization, of \$250 million by the 7th year rising to \$500 million for the 15th to 25th years, and to the maximum of \$600 million a year from the 26th year on.

Method of servicing the loan

There are three principal methods by which the U.S.S.R. would be able to service the loan over the next 35 years:

(1) The U.S.S.R. would agree in the loan contract to enter into a trade agreement or an export agreement every year or once every three years in which she will undertake to sell in the United States agreed upon minimum quantities of specified commodities in short supply in the United States at reasonable prices. The specific commodities and quantities which it would be desirable to include will shift considerably during the next 35 years because of technological and other reasons. At the present time, however, it would be possible to prepare a list of commodities which will probably be in short supply in the United States during the first few years after the war. As an example, such a preliminary annual list would be:

Metals and metallic ores	\$35,000,000
Timber and wood products	85,000,000
Petroleum	15,000,000
Furs	30,000,000
Hides and skins	10,000,000
Oils and oilcake	7,000,000
Other industrial raw materials	<u>18,000,000</u>
Total	\$200,000,000

A few years after the end of this war our needs of industrial raw materials, particularly of metallic ores, petroleum, and timber will probably increase greatly from year to year.

(2) The U.S.S.R. would acquire dollars from her net trade balance with other countries of the world and from her non-strategic exports to the United States. The U.S.S.R. is favorably situated with reference to other important areas of the world and she will probably be able to maintain a favorable balance of trade with those areas where she could acquire gold or free foreign exchange for payment to the United States. In addition, the U.S.S.R. may be able to acquire large dollar income from tourist travel.

(3) Russia has a stock of gold estimated at \$2 billion now and is reported to be able to produce from \$150 to \$250 million per year. Her gold resources can be used to pay her obligations to the United States to the extent that she does not acquire dollars from other sources for that purpose. Russia's gold is additional security that she will be able to meet her obligations in servicing the \$10 billion loan.

(4) The proportion of the dollars needed to service the debt which would derive from the three principal sources mentioned above would be determined in the negotiations.

January 9, 1945  
3:55 p.m.

FRENCH LEND LEASE AGREEMENT

Present: Mr. DuBois  
Mr. Glasser  
Mrs. Klotz

H.M.JR: Come on, get to talking.

MR. GLASSER: State Department presented us with a new draft of the French Lend-Lease agreement.

H.M.JR: Before you start, will you please draft a letter from me which I want to go over tomorrow morning to Stettinius saying, "It is my understanding that you told me the other day that this Lend-Lease agreement which was submitted to the President at Quebec is now dead."

Can you describe it? We have it here; we have the whole thing here, but he told me that it was dead. Now, I want to get it in writing that it is dead. Well--

MR. DuBOIS: The reason we were smiling is, they--

MR. GLASSER: This is dated January 5, and they submitted a Lend-Lease proposal--a proposed agreement which is very much the same as the one that you killed at Quebec.

H.M.JR: I haven't seen White's minutes of what took place, but take it from me, my memory is pretty good on most things. I said, "What about the thing that was submitted at Quebec?" Stettinius said that was dead, killed.

Now, what I would like to write him is a letter simply saying this memo--describe it--which was submitted to the President with the approval of Mr. Hull, Mr. Hopkins, and Mr. Crowley--if you can't get it, Mrs. Klotz will let

you see it. I understand that is dead, but I want to know if that is dead before we start on a new one.

MR. GLASSER: That memo as a memo is dead. But they have a new draft which puts them back in pretty much the same place.

H.M.JR: I am not going to do a thing until we get this other letter over.

Now, because I have to do Russia tonight, as you know, I can't--if you had told me this was something quite new, I would have gone into it with you, but if this is one of these things you have to take page by page and see which is which, and all that business, no.

MR. GLASSER: Something happened, however, at the meeting in State on Saturday which is new. Oscar Cox suggested that instead of having this kind of an agreement that we go to the type of agreement we had with the British and Russians. And Harry picked that up at the meeting and said we would like to consider that. That would be a new type of suggestion for France. And that is the one they wanted us to consider.

H.M.JR: Now, in order to conserve my energy for everything else, you fellows fix up a letter which you can bring out to the house tonight. You are coming, aren't you?

MR. GLASSER: Yes.

H.M.JR: I will sign that tonight, and we will get it over to Stettinius the first thing in the morning. And this thing that you put in this letter, "But before I start considering anything new, I want to know, is this the one which we hereby describe which I saw at Quebec? Is that dead, as you said it was when I was at the Blair House?"

MR. GLASSER: That was last Thursday.

H.M.JR: Last Thursday at the Blair House Mr. Stettinius said, "This is dead." "I want to know from you, was my

- 3 -

understanding correct, before I consider anything new."

MR. DuBOIS: You want us to recite the fact that he told you?

H.M.JR: At the Blair House he said that it was a dead issue, and now I got the point you fellows want to get off--what the heck! We will get around to it. We will do it this week.

MR. DuBOIS: Of course, don't misunderstand me; I have a lot of doubts myself as to whether we should do this.

H.M.JR: Now look, DuBois, I try to concentrate on one thing at a time. The only other thing I can do today yet is soak up this Russian business, and that is enough for anybody.

MR. GLASSER: I don't think there is any great urgency on this; it has been kicking around a long time. It has been around three weeks or more, but it didn't get a round to the Treasury until last week.

H.M.JR: I will get to it, but I think that if that is the case--I mean, if you people have doubts and go into this thing--

(Discussion off the record)

H.M.JR: Hopkins said, "Morgenthau has no business butting in on this French thing." And he said just what I said, "As long as the French have two or two and a half billion dollars, why not let them spend it." He was sore as hell. I have to sit around and talk about it.

MR. DuBOIS: I generally share what I gather your views are.

H.M.JR: He tells me they still owe us money for Lend-Lease in North Africa that hasn't been cleared up.

MR. GLASSER: They paid fifty million dollars.

H.M.JR: I know.

I have invited Currie to sit in on two very important matters I am doing now, and he is delighted. He will be here the next couple of days all the time. I simply want to ask his advice on this; he has nothing to do, so he is going to start in tomorrow and give me all this time. He got a very raw deal over there. So he is going to start in tomorrow morning as a fiscal adviser to me. So I have him and Jake Viner coming in. And the other thing, we'll let that cook. O.K.?

MR. GLASSER: Sure.

MR. DuBOIS: Can I just mention that gathering from what you said--

H.M.JR: You (Glasser) keep after me on this French thing. I mean, I will get at it the next day or two, but not tomorrow. What is tomorrow, Wednesday?

MR. GLASSER: Yes.

H.M.JR: We will get at it, not tomorrow, but maybe Thursday.

MR. DuBOIS: I postponed the discussion on the German thing because I thought Harry would be here to give his side of the thing, but I would like, if possible, to speak to you about the merits of it before you see the President if it is likely that this may be the last chance you will have to see him.

H.M.JR: No, I am sorry; I don't think you are going to be able to.

MR. DuBOIS: I had originally drawn that memo up as something you would give the President.

H.M.JR: I read the memo. The only way I would know that you--you can be at the house at quarter of

- 5 -

nine tomorrow and ride down with me. You can get a Treasury car to get you.

MR. DuBOIS: I can get there, sure.

H.M.JR: Tomorrow. All right, fine.

*Finished*

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January 9, 1945.

Memorandum

TO: Secretary Morgenthau  
FROM: Mr. Gaston

I am resubmitting material for your part in the film "These are Your Bonds." Ralph Engelsman had not fully explained their ideas to us when we talked to you yesterday. The plan is that you are to deliver only the opening and closing of the material we showed you yesterday. The central part, containing the detailed account of the advantages of the E Bond, is to be animated and the comment is to be scored on by a commentator. We have made slight changes in the closing part, which is your second speech.

They have dropped their plan of using Marshall and King and instead will show some news shots of Admirals and Generals in action. The list of speakers will be: (1) the President; (2) William Green; (3) Phil Murray; (4) Eric Johnston; (5) The Secretary of the Treasury. Following this there will be shots of five workers, one of them a negro, each one of whom will say in a few words what he plans to do with his War Bonds. A soldier and a sailor will do the same. The introduction before the President's speech will begin with a showing of the American flag, then the Treasury flag, an E Bond, and a shot of the Treasury Building. The Treasury Building will be the last thing shown, to play on a note of stability.

*mg*



SECRETARY MORGENTHAU: (Opening)

I think all of us have a better idea now what War Bonds mean to the winning of the war and to our security in the future. But there are a few other things that you should know about your War Bonds.

The War Bonds you buy -- E Bonds -- were especially designed for your protection. They are an obligation of the Government and are guaranteed by the full faith and credit of the Government in the same way as the dollar bill in your pocket. They are like cash, but with <sup>additional</sup> ~~special~~ privileges.

(Here Commentator takes over, with animation.)

SECRETARY MORGENTHAU: (Closing)

As Secretary of the Treasury, I ~~can assure~~ <sup>pledge</sup> you  
that the Government will stand back of this bond  
and fulfill every provision of it. It will be paid  
precisely and exactly according to the terms under which  
it was issued.

You have ~~only to hold on to~~ <sup>keep</sup> your bonds to receive  
the maximum return, for they are designed to favor  
those who hold them the longest.

Plan to hold them to maturity!

(End)

January 9, 1945.

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(Here Commentator takes over, with animation.)

Animation - Scored by Commentator.

COMMENTATOR: Privileges -

Here are some of them:

1. Each E Bond is owned individually in your name. It's yours! It's worthless to anyone else. If it's lost or stolen you can get another one.
2. You can name someone in the family to own it with you -- a co-owner -- which means that you both own the bond like a joint savings account.
3. You can name someone as beneficiary the way you do on your life insurance policy. This means that if you die, whoever you name as beneficiary will get the money.
4. After sixty days, the E Bond is always redeemable in cash. And after one year it is worth more than you put into it. The longer you

hold the bond, the more it increases in value.

For example: When you pay \$75 for a \$100 bond,  
this is what happens.

The 2nd year it's worth \$76.50

The 4th year it's worth \$80.00

The 6th year it's worth \$84.00

The 8th year it's worth \$92.00

At the end of 10 years it's worth \$100.00.

(End of animation with commentator.)

SECRETARY MORGENTHAU: (Closing)

As Secretary of the Treasury, I can assure you that the Government will stand back of this bond and fulfill every provision of it. It will be paid precisely and exactly according to the terms under which it was issued.

You have only to hold on to your bonds to receive the maximum return, for they are designed to favor those who hold them the longest.

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(End)

217  
January 9, 1945.

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Plan to hold them to maturity!

(End)

*See right for  
Three - Frank*



SCRIPPS-HOWARD NEWSPAPERS

G. B. PARKER  
EDITOR IN CHIEF  
1013 THIRTIETH ST., N. W.  
WASHINGTON, D. C.

January 9, 1945.

Dear Mr. Secretary:

Far be it from me to argue with you in behalf of editorial flippancy — this in reply to yours of January 5.

But--and I hope you won't think I'm being smart-alecky when I say--it has been my observation over many years that cheapness, irresponsibility, loose talk and flippancy are usually attributed to the thing a reader doesn't like; and that sanity, sincerity and deep wisdom are the characterizations of the same article by the reader who agrees.

That is just human nature working, in a world where controversy plays so large a part.

However, I appreciate your very frank though friendly reaction, and am passing it on to the author of the piece to which you object; also the enclosure from The Washington Post.

Thanks for your invitation to come and see you and for saying you enjoy talking with me. I say the same as to talking with you.

Sincerely,

*G. B. Parker*  
G. B. Parker

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



THE COMMANDANT OF THE UNITED STATES COAST GUARD

WASHINGTON

9 January, 1945

Dear Mr. Morgenthau:

I appreciate your writing me in regard to the participation of Coast Guard personnel in the last War Bond Drive. Our personnel take pride in your recognition of whatever efforts they have been able to put forth and, I am sure, will be eager for the next opportunity.

Sincerely yours,

R. R. WAESCHE  
Vice Admiral, USCG

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

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O Copy of letters sent to Chairmen  
of State War Finance Committees.

January 9, 1945

Dear Mr. Isbey:

It has given me one of the greatest moments of satisfaction and pride of my eleven years in the Treasury to be able to announce the very great success of the Sixth War Loan, with its mark of 21 billions when we asked for 14 and all national quotas exceeded.

The pride I felt was in the accomplishment of our war finance organization, particularly in the work of the state chairmen and the magnificent army of volunteers who are serving under them.

I am writing to convey again my thanks and my admiration to you as State Chairman and all who have worked with you for another good job superbly done.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Frank N. Isbey, Chairman  
War Finance Committee  
600 Union Guardian Building  
Detroit 26, Michigan

HEG:tgd



Draft letter to all State Chairmen.

Dear Mr. \_\_\_\_\_ :

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Sincerely,

~~Secretary of the Treasury.~~

C. K. Williams.

227  
JAN 9 1945

My dear Colonel Chester:

I wish to express my sincere appreciation for the wholehearted cooperation you have given our War Finance Division in the Sixth and previous War Loan Drives.

Army Air Force personnel and facilities which you made available during the Sixth War Loan contributed in large measure to the success which was achieved nationally.

It is my hope that during future Drives we may count upon the same staunch cooperation which you have given in the past.

Sincerely,

(Signed) H. Morgenthau, Jr.

Lt. Colonel Stanford Chester  
Special Events Branch  
Army Air Forces Headquarters  
War Department  
Room 4-D-1083 - The Pentagon  
Washington, D. C.

SCO:vgb  
January 5, 1945

JAN 9 1945

My dear Mr. Edwards:

I wish to express to you my keen appreciation for the fine contribution which you and the cast of Truth or Consequences have made to the Treasury program throughout the War Bond Campaigns.

Your visits to states from coast to coast have been of great help to our War Finance Chairmen and have contributed substantially to their success in reaching or exceeding their E Bond quotas in five War Loans.

I hope that we may continue to count upon your support in future drives.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Ralph Edwards  
Truth or Consequences  
654 Madison Avenue  
New York, New York



THE SECRETARY OF THE TREASURY  
WASHINGTON

My dear Mr. Edwards:

I wish to express to you my <sup>keen</sup> ~~keen~~ appreciation for the ~~splendid~~ contribution which you and the cast of Truth or Consequences have made to the Treasury program throughout the War Bond Campaigns.

Your visits to states from coast to coast have been of ~~immeasurable aid to our War Finance Chairmen, enabling them to reach or exceed~~ <sup>great help to our</sup> their E Bond quotas in five War Loans. <sup>ing</sup>

I ~~appreciate immensely~~ <sup>and have contributed substantially to</sup> your unfailing cooperation with our aims and effort and hope that we may continue to count upon your ~~staunch~~ <sup>their success in</sup> support in future drives.

Sincerely,

Mr. Ralph Edwards  
Truth or Consequences  
654 Madison Avenue  
New York, New York



January 9, 1945

Memorandum To: Mr. R. C. Duncan

From: L. W. Moran  
Director, Automotive Div.

There are three possible prospects for the sale of automotive surplus parts:

1. Vehicle manufacturers
2. Original producers of parts
3. Distributors and dealers

The vehicle manufacturers could absorb most of the parts where the quantities involved are not excessive. These manufacturers do not have space to store excessive amounts of surplus parts and in dealing with them most of the items would have to be shipped as needed. They usually work on a production schedule which anticipates at the maximum a week's supply of parts. Therefore, they would most likely be able to absorb only those items of surplus which they require on their present production. In addition they would use a reasonable amount for the replacement market.

The original producers furnish most of the parts going into the production of the vehicle. It is estimated that about 71 per cent of the parts are supplied from this source. A number of these parts were also supplied by sub-contractors to the vehicle manufacturers. These could be considered in the same category as the original producers. Some manufacturers, considered as producers, make parts for the replacement market only. This group of producers would undoubtedly absorb a greater quantity of the fast-moving items, such as, engine parts, bearings, gears, clutches, etc. However,

they would not absorb very many of the slower-moving bulky items, such as, chassis parts, brackets, supports, frames, hangers, and sheet metal parts, such as, cabs, bodies, fenders, etc.

The distributors and dealers in the main have no facilities for reprocessing the parts packed for export. Most of these parts were so processed, which involved water proofing by special greases and special wrapping in order to protect the parts under all conditions. Our contact with this trade leads us to believe that they prefer purchasing the parts from their regular sources in saleable condition. They would find it very difficult to inspect the parts at the various locations where it is declared surplus. Likewise, they feel that it would not pay them to make trips for these inspections to buy in the quantities which they could afford. They would rather have the manufacturers buy in larger quantities and allow them to pick-up the amounts they need when they need it. There may be some cases where certain large distributors in this class would think otherwise. This level of trade may be able to absorb the smaller quantities of parts declared in various camps, posts, and stations as well as some of the smaller amounts in the major locations.

The major locations of parts surpluses are as follows:

Letterkenny Ordnance Depot, Chambersburg, Pa.  
Rossford Ordnance Depot, Toledo, Ohio  
Atlanta Ordnance Depot, Atlanta, Ga.  
Mount Rainier Ordnance Depot, Tacoma, Wash.  
Ogden Ordnance Depot, Ogden, Utah  
Red River Ordnance Depot, Texarkana, Texas  
Fort Wayne Ordnance Depot, Detroit, Mich.  
Stockton Ordnance Depot, Stockton, Calif.  
Rock Island Ordnance Depot, Rock Island, Ill.  
Benicia Ordnance Depot, Benicia, Calif.

In addition there are about thirty back-up points, which are large warehouses servicing these major locations. Also, it is estimated there are over one-thousand posts, camps, and stations which warehouse stocks of parts.

#### Need for Parts on Present Production

Some of these surplus parts could undoubtedly be used in the present production. We are making efforts to advise the various manufacturers of the types of parts we have available, so that this can be accomplished.

A large percentage of the parts declared surplus, particularly at Fort Crook Ordnance Depot, Omaha, Nebr. and Bluegrass Ordnance Depot, Richmond, Kentucky, are for vehicles 1939 and older. We have been making efforts to dispose of these parts and they are at the present time appearing in our Surplus Reporter. We should be able to judge the possibility of moving these parts very quickly.

#### Percentage of Military Parts

We estimate that better than 60 to 65 per cent of the parts now declared surplus are peculiar to military vehicles. The only value in these parts will be when and if these military vehicles are declared surplus and sold to the public.

#### Impact on Industry

In view of the large percentage of parts peculiar to military vehicles and of the need for service on vehicles operating at present, we feel that all parts declared surplus to date could be absorbed without any impact on the industry. This may and probably will change as the volume of parts declared surplus increases.

## Disposition

Since the original policy on the distribution of these parts was to return them to the vehicle manufacturers, every effort has been made to accomplish that end. Numerous conferences have been held with the various manufacturers and efforts were made to arrive at a contract that was mutually satisfactory as the manufacturers have always felt that they should have a contract in order to buy surplus parts.

First, a contract was prepared by our Legal department and presented to the manufacturers, Ford, Chrysler, and General Motors, as the bulk of the parts would be for vehicles of their production. This contract was studied by the three companies and found to be unsatisfactory. Then they presented contracts of their own for our acceptance. We made a study of the contracts presented by the three manufacturers and endeavored to make one which would be satisfactory to the companies and to us. We felt that we stretched as far as possible in order to reach an agreement which would allow us to begin the movement of surplus parts. We then presented this contract to the same manufacturers which they again found unsatisfactory and presented us with another contract of their own in which they asked for provisions which were less acceptable than the original. We have supplied lists of the various parts to the manufacturers and received replies advising us that they would not consider buying without a contract.

During this time the original manufacturers' representatives have presented their case and we are inclined to believe that a greater volume of material can be moved more quickly to them than through the vehicle manufacturers. We have hesitated to pursue this too strongly because the return in dollars to the Government would necessarily be less if we sell to this level of trade. However, it may be more desirable to do this and move the surplus more quickly and in greater quantities so that



the economy may have the benefit of the material at the time it is most needed.

In the meantime, in order to attempt to move some of this material we have decided to make a test by listing some of these new items in the Surplus Reporter, which is going out to the general mailing list. In this way we will be able to gain some knowledge of what the various types of trade will be willing to buy and on what basis. We feel that the small amounts, which will be sold in this way, can have no great effect on our permanent policy and leaves us free to move anyway we find most desirable.

The parts disposal problem is one of our most important and most difficult problems. We feel many of the difficulties are now being removed as a result of the change in the system of reporting declarations according to the plan which we worked out with the Army. However, the shortage of experienced parts men continues, and we have been making and shall continue to make every effort to secure qualified men to help in this job.

C  
O  
P  
Y

235

**TREASURY DEPARTMENT**

INTER OFFICE COMMUNICATION

DATE Jan. 9, 1945

**TO** Secretary Morgenthau

For information.

**FROM** Mr. White *HDW*

This is a comparative statement of the earnings and expenses of the Stabilization Fund for the months of November and December, 1944.

<u>Earnings</u>	<u>November</u>	<u>December</u>
Interest earned on investments	\$ 40,179.71	\$ 41,576.05
Profits on handling charges on gold	85,434.09	133,544.95
Profits on other gold and exchange transactions	4,000,000.00	2,000,000.00
Miscellaneous profits	<u>10.21</u>	<u>12.78</u>
Total	\$4,125,624.01	\$2,175,133.78
<u>Expenses</u>		
Salaries	\$ 32,245.66	\$ 28,547.63
Travel	1,949.65	631.69
Subsistence	1,119.16	2,564.18
Telephone & Telegraph	1,252.67	1,564.72
Stationery	259.87	45.87
All other	<u>1,600.51</u>	<u>769.59</u>
Total	\$ 38,427.52	\$ 34,123.68
Net earnings	\$4,087,196.49	\$2,141,010.10

This report was completed from figures supplied by Mr. O'Daniel.

Treasury Department  
Division of Monetary Research

Date January 9, 1945 19

From: Mrs. McHugh

To: L. Shanahan

The Secretary sent Mr. White a memorandum, dated January 8, inquiring who is looking after American banks in Paris while Saxon is here.

Mr. White wanted the Secretary advised that Hoffman is in charge and has a number of people under him and the matter is being taken care of for the time being.

A handwritten signature in black ink, consisting of several loops and a long vertical stroke extending upwards.

Treasury Department  
Division of Monetary Research

237 ✓

Date 1-9-45 19

To: Mr. Shaeffer - Room 4408

From: Mr. Taylor - Room 3202

For your confidential information.

Appended herewith an exchange of correspondence between State and Treasury concerning a British request that two American advisers, one for Finance and one for Supply, should be appointed for Greece. You will note that the American advisers are attached in the first instance, to the Embassy of the U.S. at Athens.

DEPARTMENT OF STATE  
Washington

In reply refer to  
FMA

November 9, 1944

My dear Mr. Secretary:

Reference is made to an aide memoire from the British Embassy dated November 2, 1944, a copy of which is attached, expressing the hope that the United States Government will be prepared to appoint certain civilian advisers to Lieutenant General Scobie in Greece as counterparts to the advisers the British Government intends to appoint. Among these would be a Financial Adviser.

In view of the chaotic monetary conditions currently prevailing in Greece, the Department believes the designation of a Financial Adviser by the United States Treasury Department would be advisable. A recent communication from the American Ambassador recommends that the Government take such action and that a United States Treasury representative be attached to the Embassy and assigned by the Embassy to the proposed committee of advisers to Lieutenant General Scobie.

The Department would appreciate an indication of whether the Treasury would be prepared to make such an assignment. The Department believes it would be desirable for the officer in question to proceed to Greece as soon as possible.

Sincerely yours,

For the Secretary of State:

s/s G. Howland Shaw

Assistant Secretary

Enclosure:

From British Embassy,  
November 2, 1944.

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

With reference to earlier conversations with the Department of State as to the responsibility for civil affairs supplies during the military period, the Embassy has now received further information which is believed to be of interest to the Department.

2. It appears likely to the British authorities concerned that the military phase in Greece may be of considerable duration. During that time the maintenance of Greek economy will be a military responsibility and will devolve on Lieutenant-General Scobie, Officer Commanding British Forces in Greece. The immediate problems to be faced, however, particularly in the field of finance, will necessitate expert advice from the competent civilian authorities together with close liaison with Greek Government. These questions are of an order for which Military liaison (Greece) are hardly equipped to handle.

3. It is accordingly proposed to appoint Mr. Caccia as principal Civil Adviser to Lieutenant-General Scobie and Mr. MacMillan's representatives in Athens. In addition it will be necessary to appoint a Financial Adviser and Supply Adviser. These officials would advise Lieutenant-General Scobie on all matters of policy in connection with the discharge of his duties relating to supply, rehabilitation, etc. and would also be responsible for all contacts with the Greek Government Departments on matters of economic policy.

4. It is hoped that the United States Government will be prepared to appoint advisers on a parallel basis. The Embassy would therefore be glad to know whether the State Department would wish to make the appointments suggested.

BRITISH EMBASSY

2nd November, 1944

November 28, 1944

Dear Mr. Shaw:

Reference is made to your letter of November 9, 1944 in regard to assigning a United States Treasury representative to be attached to the United States Embassy in Greece.

This is to advise you that on November 27, 1944 we forwarded a cable to the State Department for despatch to United States Embassy in London instructing Mr. William H. Taylor and Mr. Gardner Patterson, who are now with the Office of the United States Treasury Representative in London, to proceed to Athens as soon as their affairs permit in order to establish an Office of United States Treasury Representative to be attached to the United States Embassy in Athens. It is expected that Mr. Patterson will remain in Athens as the United States Treasury representative and that Mr. Taylor will return to London as soon as affairs in Greece permit.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. G. Howland Shaw  
Assistant Secretary of State  
State Department  
Washington 25, D. C.

WMT:ers 11/27/44

Initialed by HDW, WMT, HG      Mailed by Secy's office; cc Tomlinson

UNITED KINGDOM TREASURY DELEGATION

BOX 680  
BENJAMIN FRANKLIN STATION  
WASHINGTON, D.C.

REFERENCE 4-A

TELEPHONE EXECUTIVE 2080

9th January, 1945

Dear Dr. White,

I am writing to advise you of the figures for our gold and dollar holdings in million dollars at 30th November 1944. They were as follows:

Gold	1726	
Less gold liabilities	<u>330</u>	
Net gold		1396
Official dollar balances	528	
Less dollar liabilities	<u>180</u>	
Net dollars		348
		—
Net Gold and Dollars		1744
		==

Yours sincerely,



R. H. Brand.

Dr. H. White,  
United States Treasury,  
Washington, D. C.



## UNITED KINGDOM TREASURY DELEGATION

BOX 680  
BENJAMIN FRANKLIN STATION  
WASHINGTON, D.C.

January 9, 1945.

TELEPHONE EXECUTIVE 3020

REFERENCE

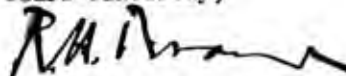
Dear Mr. Morgenthau:

I write to acknowledge receipt of your letter of the 8th of January in which you state that the U.S. Treasury now agrees that the sum of \$200 thousand, representing the proceeds of sale to the Packard Company of certain British-owned plant facilities, may be paid over by the company to the appropriate United Kingdom Government Agency. This decision is much appreciated. I am asking the British Air Commission to make the necessary arrangements with the company.

I note that the U.S. Treasury also raises no objection to the proposed additional sale to the Packard Company of machinery and equipment to the estimated value of \$1.3 million, nor to the payment of the proceeds of this additional sale to the United Kingdom Government.

I am very much obliged for this information.

Yours sincerely,



R.H. Brand.

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

CG-1028

PLAIN

London

Dated January 9, 1945

Rec'd 11:45 a.m.

Secretary of State,

Washington.

278, Ninth

TO PEHLE FROM MANN

Please deliver the following message from Joseph Schwartz to Moses Leavitt of the JDC.

Have arranged with UNRRA to make available to us on temporary basis for service in France Benjamin Glassberg, Cecilia Rasovsky, George Rooby and possibly one other staff member. Their salaries will continue to be paid by UNRRA since their service with us is considered essential training for their future UNRRA assignments and we will pay their living and travel expenses from time they enter our service. They will be kept available for UNRRA and will be released on two week's notice. UNRRA will arrange their travel to Paris and we expect them arrive there shortly. Glassberg is already in France. Have also arranged for temporary release to us of Jacob Trobe who will be sent to assist Passman in the Balkan area with the understanding that he may send reports on situation directly to UNRRA. This not to be considered as substitution for Fishsohn but as additional assistant to Passman who agrees. Trobe now arranging his visas and we look forward to his early departure. Please advise status Fishsohn's departure since it urgently important he proceed Istanbul soonest.

WINANT

JT

DRAFT OF CABLE TO AMERICAN LEGATION, TANGIER.

Please inform Renee Reichman, 25 Rue Moliere, Tangier, that Vaad Hahatzala Emergency Committee has been licensed by Treasury Department to pay Jacob S. Cohen, New York City, \$6,000 for account of Aaron S. Cohen, Calle Tetuan 17, Tangier, against which payment Aaron S. Cohen is to pay the local currency equivalent to Renee Reichman for purchase of food packages for Jewish refugees in camps in Czechoslovakia and in Hungary. In this connection, reference is made to Department's telegrams No. 38 of March 30 and No. 125 of September 2, 1944, concerning similar transactions.

3:15 p.m.  
January 9, 1945

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

January 9, 1945

6 p.m.

AMLEGATION

STOCKHOLM

49

The cable below is WRB 263.

Reference your 5234 of December 22. Appreciate Swedish readiness to reconsider matter of submission in Berlin names of persons in Germany and German-occupied countries other than Hungary, as follow-up of original Swedish step. As stated in Department's 2537 of December 16, we agree that names of persons known to be still in Hungary need not be transmitted to Germany, but since it appears that most Jews on the lists with addresses in Hungary may have been deported to other German-occupied areas, their inclusion would be appreciated.

In reply to Hellstedt's inquiry, you may inform him that Swiss Government has also been asked to communicate lists in question to German authorities, and has suggested a concrete procedure for doing so, based on Swiss part in handling exchanges of civilians between United States and Germany. We are considering this suggestion and are hopeful of early agreement.

STETTINIUS  
(OH W)

STETTINIUS

WRB:MMV:EO  
1/3/45

NCE

WE

SE

SWP

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

January 9, 1945

8 p.m.

AMLEGATION

STOCKHOLM

51

The cable below is WRB 284.

Reference your No. 5167 of December 18, 1944.

Please advise Evensen and Tranmael that American Relief  
for Norway plans to make remittances of \$50,000 each on  
January 15 and March 1, 1945, for operations under license  
No. W-2152.

STETTINIUS  
(GHV)

WRB:BNV:EO  
1/8/45

NOE

SWP

WT

RDC

EAK-1092  
Distribution of true  
reading only by special  
arrangement. (SECRET W)

Stockholm

Dated January 9, 1945

Rec'd 2:36 p.m.

Secretary of State,

Washington.

100, January 9, 3 p.m.

TO MOSES LEAVITT, JOINT DISTRIBUTION COMMITTEE,  
270 MADISON AVENUE, NEW YORK, LAURA MARGOLIS, JOINT  
DISTRIBUTION COMMITTEE, STOCKHOLM, SENDS FOLLOWING  
MESSAGE. THIS IS OUR NO. 120 FOR WAR REFUGEE BOARD

"For your information wish to report that Rabbi  
Hersog Palestine cabled to King here in December  
asking that Yeshivah and Rabbi Nical groups Shanghai  
be given Swedish protection passports and Sweden  
send ship to evacuate them. Hersog also asked  
professor Ehrenpreis' help. Ehrenpreis asked Foreign  
Office request their consul Shanghai make complete  
investigation situation, which was done. Full contents  
this investigation sent to Lisbon and having no copy  
here will ask they forward. Report clearly indicates  
no greater emergency this group than all others and  
stating no evacuation from Japanese territory possible.  
Have personally received cable from Joseph Bitker our  
committee asking everything possible be done to check  
interference Rabbi Nical groups. Knowing situation  
as I do must state that continued interference behalf  
Rabbi Nical groups regarding their people in Japanese  
territory will endanger security all refugees. This  
extremely serious and Vaadhatsala has no right en-  
danger lives 20,000 persons while trying to help their  
group, especially since evacuation complete im-  
possibility. Bitkers reports clearly indicated all  
groups receiving equal treatment.

JOHNSON

JM

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

January 9, 1945

5 p.m.

AMLEGATION

BERN

127

The following for Huddle and McClelland is WRB 356.

In view of well-known German practice of exterminating Jews surviving in any area previous to its evacuation, Department and WRB consider it necessary once more to draw attention of Swiss and Intercross authorities to the danger faced by the Jewish survivors in German-controlled territory.

Accordingly, it will be appreciated if you will visit newly appointed Swiss Foreign Minister and President of Intercross, and urge that continued efforts be made from now on to keep the surviving victims of Nazi persecution alive during the coming stages of hostilities in Europe. You should specifically mention in this connection the three largest concentrations of Jews in Axis territory known to exist, viz. Lodz with 60,000 to 80,000 inmates, Theresienstadt with 40,000 to 60,000 inmates, and camps near Vienna with 18,000 inmates, and you should also mention any other localities or regions where Jews are believed by you to survive.

In your conferences with Swiss Foreign Minister and Intercross President it should be made clear that this Government considers that frequent and extended visits of Swiss Consuls and Intercross delegates to places and regions where Jews are concentrated constitute one of the most effective means of preventing their further extermination. This method proved its efficacy in Budapest where, thanks to the presence of Swiss and Intercross personnel, many lives appear to have been saved.

Furthermore, you should emphasize to Foreign Minister and Intercross President the mounting evidence of confusion among local German officials and their increasing accessibility to psychological pressure seeking to dissuade them from executing extermination policies ordered by certain German authorities, and urge that full advantage be taken of this state of mind in the interest of saving lives, through unofficial as well as official channels.

More particularly,

-2- #127, January 9, 1945, 5 p.m. to Bern.

More particularly, in view of German consent to permit Intercross inspection and care for Hungarian Jews engaged in forced labor in Germany and German-occupied territory (enclosure 1 to your despatch 10132 of December 6), please request immediate and continuing Intercross action to safeguard lives of this largest group of Jews surviving under German rule.

Please endeavor to make clear to Swiss and Intercross that the activities suggested above should be actively pursued as long as the danger continues.

Please advise Department and WRB of Swiss and Intercross reaction.

The following from WRB for McClelland:

It would be helpful if you inquired at frequent intervals what specific action Swiss and Intercross are taking to carry out the above suggestions.

In view of the situation as outlined above and in view of your recent reports indicating effectiveness of publicity and other forms of psychological pressure upon German officials, you are requested to make special efforts through all channels available to you to increase such pressure with a view to safeguarding the lives of the surviving victims of Nazi persecution.

STETTINIUS  
(CHW)



JMP-1220  
Distribution of true  
reading only be special  
arrangement. (SECRET W)

Ankara  
Dated January 9, 1945  
Rec'd 9:02 p.m.

Secretary of State

Washington

46, January 9, 3 p.m.

FROM KATZKI TO PEHLE WRB ANKARA'S NO. 4.

The two contingents of emigrants from Rumania (REEMBS 31 January 6 and 38 January 8 Ankara's Nos. 2 and 3) comprising 626 persons, corrected count, who had been detained at Starasagora, departed from Istanbul for Palestine as one group on January 7. The Turkish authorities provided a special train for this purpose in accordance with Ambassador Steinhardt's general agreement with the Turkish Foreign Office regarding railroad facilities, which has now been terminated by the Turks as a result of the withdrawal of British approval.

It should be noted that the special train was made available by the Turk Government at Ambassador Steinhardt's personal request despite the railroads difficult seasonal transportation problems.

STEINHARDT

JMS

NOT TO BE RE-TRANSMITTED

COPY NO. 2

SECRET

OPTEL No. 11

Information received up to 10 a.m., 9th January, 1945.

NAVAL

1. NORTHERN WATERS. Convoy of 37 ships has arrived in N. Russia.

MILITARY

2. WESTERN FRONT. 7th. French Army Front. Enemy forces advancing northwards from Colmar pocket forced our troops to evacuate Rheinau, Neunkirch and Witternheim. Fighting continues north of these towns.

U.S. 7th Army. Enemy penetration north of Strasbourg being contained and number villages now recaptured. Wingen continues to be cleared despite stiff resistance and some progress now made to north of town.

Southern Flank Ardennes salient. No progress Bastogne sector, but Piamierge N.W. of town captured 7th/8th.

Northern Flank Ardennes salient. Continued pressure by our forces despite appalling weather including snow. From W. to E. Jambouffe, Hargimont, Dochamps, Regne, Sarte have been captured, while road from Laroche to Vilesalm appears controlled by us throughout whole length though heavy fighting continued afternoon 8th about Samree.

3. GREECE. British forces advancing N.W. from Eleusis reached gorge short of Erithrai (south of Thebes), where resistance stiffened and heavy casualties were inflicted on enemy.

4. EASTERN FRONT. 8th. Russians captured further 130 block houses Budapest. To W. and N.W. of city large forces German infantry and tanks repulsed.

5. BURMA. British forces reported 4 miles N.E. Shwebo.

AIR

6. WESTERN FRONT. Night 7th/8th. Bomber Command aircraft 816 despatched. Munich 653 (14 missing) - 2176 tons (attack in two waves, first through broken cloud and accurate, second through thick cloud and scattered), Hanover, Nuremburg and Hanau 84 (1 missing) and bomber support 79 (1 missing).

8th. 595 escorted U.S. heavy bombers (27 outstanding, 14 believed safe) dropped 1391 tons communication centres behind enemy salient, thick cloud over all targets. SHAEF (Air): weather prevented almost all operations. Beau-fighters attacked and hit two ships (2500 and 1200 tons), large tug and barge off S.W. Norway.

HOME SECURITY

7. Up to 7 a.m. ROCKETS. 8th. Incidents occurring 9. Night 8th/9th. Three incidents.

January 10, 1945  
9:03 a.m.

HMJr: Hello.

Operator: Mr. Yost.

HMJr: Hello.

Charles  
Yost: Good morning.

HMJr: How are you?

Y: Very well.

HMJr: Mr. Yost, those two paraphrase cables ....

Y: Yes. They are coming over to you in just a few minutes. They were very long and it took most of yesterday to paraphrase them.

HMJr: Oh.

Y: But we'll have them over to you within half an hour.

HMJr: Well, the reason I was pressing was that I think Mr. Stettinius and I are going to see the President this morning. Hello?

Y: Yes.

HMJr: And the one that -- from Harriman was the one I'd like to take along.

Y: Good. I'm sorry they've been delayed but they'll be there in just a few minutes.

HMJr: Do you think you could get them here before ten o'clock?

Y: Yes, I'm sure we can. They're all ready now -- it's just a case of getting them over there.

HMJr: Thank you so much.

Y: All right.

AGENDA

MEETING IN SECRETARY'S OFFICE

January 10, 1945

- - -

1. Certificate pattern of rates
2. Increase in Treasury bills
3. Federal Reserve Ratio
4. Changes in pattern of rates unofficially suggested by Chairman Eccles

Memorandum to Files  
January 23, 1945

Meeting in the Secretary's Office on January 10, 1945.  
Present: Mr. Eccles, Mr. Sproul, Mr. D. W. Bell,  
Mr. Haas, Mr. Lindow, Mr. Tickton

The Secretary opened the meeting by saying that there were three or four items on the agenda for discussion. He asked Mr. Bell to take these up one by one.

(1) Increase in short-term certificate rates

Mr. Bell pointed out that the yield on three-month certificates had increased from 0.46 percent on September 1 last year to around 0.70 percent in December, and that it had since decreased to 0.60 percent. He said that the Treasury was concerned about this change in the pattern of rates and would like to see the three-month certificate yield continue to decrease until it reached approximately the September 1 level.

The Federal Reserve representatives took the position that they had never accepted a curve between the  $3/8$  percent point for three-month bills and the  $7/8$  percent point for one-year certificates. What they had agreed to, they said, was the rate at which the securities of these two maturities could be sold by the Treasury. They argued that in September there had been such a large supply of certificates sold in the market that the rate just went up. Moreover, there would have been more bank financing in the drive, they said, if they had tried to keep the short-term certificate rate down. Mr. Sproul said he felt that the place to approach the problem of preventing abuses of the pattern of rates is in the 2 percent area and he implied that the thing to do was to stop issuing 2 percent bonds available after drives for commercial bank acquisition. Mr. Sproul also contended that the change in certificate rates had not resulted in making 2 percent bonds more attractive, from the point of view of profitability, in the Sixth War Loan. Mr. Bell, however, said that the change had pushed investors farther out along the curve of interest rates by increasing confidence in the 2 percent area as compared with the certificate area.

(2) Possible increase in Treasury bills

Mr. Bell explained that the Treasury was considering the possibility of increasing the Treasury bill issue by about \$200 millions per week, mostly for the purpose of helping the reserve situation, and at the same time providing the most suitable securities for the Federal Reserve System to acquire.

Mr. Eccles said that bills should be increased only as the need for reserves increases. They should be used only in connection with their reserve function and should not be used primarily for the purpose of providing the Treasury with funds. Mr. Eccles indicated that some additional

bills should probably be issued before the next war loan drive.

Mr. Sproul said that the Federal Reserve would have to acquire about \$3 billions in securities in the next few months, and that he supposed some of these would be bills. He indicated that he still did not like the present arrangement for handling maturing bills and that he wanted a procedure worked out for refunding them directly with the Treasury. Mr. Eccles said that something should be worked out on this before we increased bills.

Mr. Eccles suggested that an arrangement be worked out by which the Federal Reserve would earn 1/4 of 1 percent on bills instead of 3/8 percent, but said that this matter was of minor importance. In discussing bills he said that the 3/8 rate was no longer a market rate and that the bill market outside of the Federal Reserve is gone.

(3) Federal Reserve ratio

Mr. Bell explained that it was probably desirable to settle the matter of what should be done about the Federal Reserve ratio as soon as possible so that this problem would not carry over to the period just before the Seventh War Loan. Mr. Eccles said that it was the unanimous opinion of the Board and the Federal Reserve Presidents that legislation be requested reducing the minimum required ratio. Mr. Sproul indicated that a reduction to 25 percent was what he had in mind. Mr. Eccles said that they also planned to ask for an extension of the Glass-Steagal Act providing for Government securities to be held as collateral behind Federal Reserve notes. This Act expires on June 30, 1945, and it is imperative that it be extended. The Secretary said that the legislation should be kept simple in order to avoid controversy. The Federal Reserve representatives said they thought they might undertake to get the legislation by April 1, and there was some discussion as to whether Bretton Woods should take precedence.

(4) Changes in the longer-term pattern of rates

Mr. Bell remarked that Mr. Eccles' December 16 memorandum had discussed the possibility of lowering the 2 percent bond rate to 1-3/4 percent and of reducing the 7/8 percent certificate rate to 3/4 percent. Mr. Eccles said that bank earnings were going up steadily and that it was important to reexamine the rates on securities being acquired by banks. He said that banks were becoming more interested in longer-term issues and this was intensifying the problem and raising interest costs to the Treasury. He referred several times to the proposals in his memorandum.

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In Mr. Bell's office after the meeting in the Secretary's office, it was agreed that further meetings on a technical level should be held on January 16.

Prepared by Mr. Lindow and Mr. Tickton.

WF 565

January 10, 1945  
9:45 a.m.

FINANCING

Present: Mr. D. W. Bell  
Mr. Haas  
Mr. Currie  
Mr. Tickton  
Mr. Lindow  
Mrs. Klotz

H.M.Jr: Go ahead.

MR. BELL: George has a memorandum prepared, Mr. Secretary, which I think you might read to start with.

H.M.Jr: You read it out loud, George.

MR. HAAS: (Reading Memorandum to Secretary Morgenthau from Mr. Haas, dated January 10, 1945, attached)

"Subject: Problems relating to the Government Bond Market.

"There are a number of problems relating to the Government bond market which should be given early attention. These concern mainly (1) the breach of the certificate pattern of rates, (2) a series of other changes in the pattern of rates suggested unofficially by Chairman Eccles, (3) the question of issuing more Treasury bills, and (4) the problem of the declining Federal Reserve ratio.

"1. Certificate pattern of rates.

"The breach in the certificate pattern of rates has been partially restored since your letter to Chairman Eccles on this matter. The yield on three-month certificates is calculated from our curve at 0.60 percent for the market close last night as compared with 0.68 percent on December 22, the day you sent your letter to Chairman Eccles. This compares with 0.48 percent last September 1, before the weakness was permitted to develop. All of the recovery

has occurred since December 29, although the Federal Reserve System has not purchased any certificates since that date."

H.M.JR: It has recovered?

MR. HAAS: It has recovered. The yield has gone down from 0.68 to 0.60, 8 points. You see it was at 0.48 before it went off but the recovery has taken place of its own accord. The Federal has not bought anything--

MR. LINDOW: That's right.

MR. HAAS: Maybe Sylvia Porter said they were good birds and Dan put a lot of money in the market.

MR. BELL: We piled up our balances during the Drive and tax payment period in December and we didn't make big calls on the banks, and at the year end our one billion and one-quarter was reduced to three hundred and fifty million. We put eight or nine hundred million dollars in the market in that period and now we are beginning to get calls on the banks. In order to meet those calls we will have to sell Government securities and the securities will largely be certificates.

H.M.JR: This process which you followed wasn't in order to force down the rates?

MR. BELL: It was a question of relieving the banking situation over the year end and not making big calls during the first tax-payment period.

H.M.JR: Leave it so that the Federal Reserve can say, "We knew that would happen."

MR. HAAS: Not much has happened yet.

MR. LINDOW: That is a recovery of a little better than one-third of the loss, so there is still quite a way to go to get back to September 1, which is the base we took.



MR. CURRIE: Was 0.68 the peak?

MR. LINDOW: No, the peak was about 0.70, which occurred around the twenty-ninth.

(Mrs. Klotz enters conference temporarily)

MR. HAAS: Shall I continue, Mr. Secretary? "It is important that the breach in the certificate pattern of rates be completely restored within the course of the next few weeks.

"2. Other changes in pattern rates suggested by Chairman Eccles.

"The unofficial proposals to make certain changes in the pattern of rates were outlined in a memorandum from the Chairman dated December 16, 1944. The gist of this memorandum is that the pattern of rates be changed as follows: (1) Increase the bill rate from 3/8 to 1/2 percent--"

H.M.Jr: Who is suggesting that?

MR. HAAS: Chairman Eccles' unofficial memorandum he sent over today.

H.M.Jr: That's what he wants?

MR. HAAS: Yes, sir.

MR. BELL: He was putting this up for consideration and discussion.

H.M.Jr: Three-eighths to one-half?

MR. BELL: But there are other things that go with it.

MR. HAAS: He wants to lengthen the bills to--

MR. LINDOW: ...four, five or six months, whatever is necessary. That doesn't amount to anything when you lengthen them because if the posted rate is there, it is the same as one-day's money anyway so you really don't get anything by lengthening them.

MR. HAAS: The second proposal in the memorandum, "...decrease the certificate rate from  $7/8$  to  $3/4$  percent, and (3) decrease the 8-10 year bond rate from 2 percent to about  $1-3/4$  percent."

H.M.J.: These are all Eccles' suggestions?

MR. HAAS: All Eccles', unofficially, sir. Now, our comment on that, "We recommend that the increase in the bill rate not be adopted, because of the possibility of its being interpreted as a further weakening in the pattern of rates and in the Government's ability to hold the line on interest rates--the outstanding achievement of all the wartime controls. The decrease in the certificate rate and the 8-10 year bond rate are worthy of serious consideration, but action along such lines should be taken very carefully. We favor lowering of rates as much as possible in order to bolster confidence in the financing program and to decrease interest costs to the Government. The market is partly prepared for this, since many people believe we are likely to follow the British in the lowering of interest rates.

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"The weekly offering of Treasury bills should be increased to raise at least \$200 millions of new money per week--not for the purpose of increasing the working balance but rather to strengthen the short end of the pattern of rates. An increase in the bill offering would improve the reserve and quasi-reserve position of commercial banks, and would provide the most suitable vehicle for the billions of Federal Reserve acquisitions which will be necessary before the Seventh War Loan.

"4. Federal Reserve Ratio.

"The Federal Reserve ratio was 49.4 percent last Wednesday, and may be expected to decline steadily until the Seventh War Loan. The legal minimum is between 35 and 40 percent, depending on the composition of Federal Reserve liabilities. The problem of what to do about the ratio should be discussed at once with Federal Reserve officials with the view of seeking new legislation lowering the required ratio, which the President said in his Budget message he intends to request soon. This matter has been discussed frequently in financial circles and some action is expected relatively soon. Nevertheless, there may be some criticism when action is finally taken, and every effort should be made to handle this matter quietly and expeditiously."

MR. FULL: There is one thing about Eccles' proposals-- I discussed them with him informally and told him we would be glad to go over them and consider them and discuss them with him. He wrote them in the form of a memorandum and put them before the last meeting of the--I think the President's conference--which is composed of all members of the Open Market and the Committees, and they took no action on them except to say they would like to study them. I think that at the first meeting a great many people were against these proposals, so they are quite unofficial and have not in any way been acted upon by the Committee or the Board, and they are really his personal suggestions. I don't know that we can take them at this point too seriously.

MR. JR: What happens if there isn't a change in the length?

MR. MAAS: Oh, then we have the alternative. You could issue Federal Reserve Bank notes and take care of the situation that way, but it is rather--since this issuance not in connection with saving of paper--when not that?

W. LEWY : December 19, 1948.

MR. HAAS: In 1943 we got a lot of criticism and you will probably have criticism now. "I think we are sort of stuck," the President said in the Budget Message and he was going to recommend asking for legislation.

H.M.JR: Who got him to put that in?

MR. HAAS: Eccles. Federal Reserve.

MR. BELL: We tried to get it out and we weren't successful.

MR. HAAS: Dan got half of it out.

MR. BELL: Yes, they said in the Message he was going to recommend lowering the necessary ratio and further controls over bank reserves and I thought it would jar the bankers to death. They had no idea Federal Reserve was going to come out for further control on bankers and I thought when it did, it should be understood.

MR. HAAS: This should be done in advance of all real crises. It should be out of the way before the Seventh War Loan, and it is the same committees, Banking and Currency.

H.M.JR: Let me ask you a question. All this talk about excess reserves while the war is on and while we are spending the money for munitions is really meaningless isn't it? It only becomes important when we begin to go into--well, a period of a couple of years after--

MR. CURRIE: Yes, I should say the immediate period after VE-Day or VJ-Day--if we would remove controls too rapidly under certain conditions, I think there may be some danger, but there may be some danger, although it's pretty remote.

H.M.JR: As long as we are in this position, these controls really mean less because the whole thing is artificial anyway.

MR. CURRIE: I think the real significance of excess reserves now is how you want to use them to play on the interest rate structure. It doesn't have anything to do with inflation at all.

H.M.JR: As far as inflation is concerned, the little thought that I have given to it in the last month or so, I can't get the conception that it has any effect on inflation.

MR. CURRIE: I don't think it has.

H.M.JR: At the level of the man or woman who goes in to buy something. Is that right?

MR. CURRIE: That's my view, yes.

H.M.JR: That's yours isn't it?

MR. BELL: Yes, but I don't know if you are talking about controls over bankers or the ratio. There is a psychological effect on gold ratio--

H.M.JR: I am talking about control, to answer your question. I am talking about control of bank reserves.

MR. CURRIE: That's what I thought you meant.

MR. BELL: That's right.

MR. CURRIE: In the Banking Act of 1935 I proposed this reserve ratio, but it was considered unnecessary at the time.

MR. BELL: We really don't need any reserve ratio at all. We should have gold behind all liabilities and it shouldn't be required to be a certain percentage of anything. You will find a lot of opposition on eliminating it altogether, because they think it ought to be a check on operations.

(Mrs. Klotz leaves conference)

MR. BELL: We are the only ones, I think, that have the percentage ratio.

H.M.JR: Did you tell the President you were going to work with us?

MR. CURRIE: I didn't have an opportunity to. I will.

(Mr. Currie leaves the conference.)

H.M.JR: What I am groping for is this, if it's correct. That has no effect right now on bond reserves. I mean, can't we look forward to the kind of control we need after the war is over, rather than something right now?

MR. HAAS: As the thing is, the reason we need it now is this: You have a deficit, say, of a certain figure. You can sell so much outside of the banks, and the balance has to be sold to the banks. The banks can't buy it unless the reserves are given to the banks.

H.M.JR: They can't buy it? Are they bought up?

MR. HAAS: They only have a little over a billion.

MR. LINDOW: Even that billion is probably not usable. The banks like that much of a cushion.

H.M.JR: You mean they can't buy any more Government securities?

MR. LINDOW: Not unless Federal keeps buying, and Federal has to buy about nine billion a year for that purpose so long as the drain on reserves is what it has been in recent months--in the last couple of years.

H.M.JR: How long can this machinery keep up without breaking down?

MR. HAAS: It doesn't have to break down at all unless you intend to do something.

H.M.JR: I am beginning to understand that either they have to lower the reserves or get more reserves through the Federal Reserve Bank. Why don't you put it simply so a farmer could understand it?

MR. HAAS: I thought you did understand it, Mr. Secretary.

MR. BELL: They issued a public statement they are committed to the policy of furnishing to the market all reserves to finance this war and it's just a question of how much you need out there. They feel sometimes it ought to be a little tighter than others.

H.M.JR: How much would you lower them?

MR. HAAS: They are talking about twenty-five percent.

H.M.JR: What are they now?

MR. HAAS: Twenty-five percent.

MR. LINDOW: I think we have gotten the two subjects mixed in the last couple of minutes, Mr. Secretary. The statement I made about the Federal Reserve Bank related to member bank reserves. I think that is what you were referring to when you talked to Mr. Currie. Now, this last section of the memorandum which Mr. Haas read referred to the reserves of the Federal Reserve system itself, and that is the one which needs to be done because--

H.M.JR: Where?

MR. LINDOW: The legal minimum is between thirty-five and forty percent as set by law. A week ago the rate was forty-nine percent.

H.M.JR: Why do we have to lower that?

MR. LINDOW: They could get out of the problem by issuing Federal reserve bank notes which require no reserve. At present, Treasury issues Federal reserve notes which require forty percent gold reserve.

H.M.JR: If they issue Federal Reserve Bank notes, some of these people will holler fi t money.

MR. HAAS: That's right. I mean, that's the deal.

MR. LINDOW: I think they will holler anyway, as far as that goes.

MR. BELL: As you finance through the banks, we increase bank deposits, and that increases the reserve requirements and thereby increases the member bank deposits with the Federal Reserve Bank. That, in turn, increases the requirements to put up gold or someone will offer money against those deposits, and as you increase, your ratio goes down to between forty and thirty-eight.

H.M.JR: Let me get this thing. Supposing the Federal Reserve--why do they need a loan for reserve?

MR. LINDOW: They are faced with this problem in order to buy nine billion.

MR. TICKTON: They would have to stop sometime next fall and wouldn't be able to buy any more.

MR. BELL: June 30.

H.M.JR: Why can't they buy any more?

MR. LINDOW: Unless they use Federal Reserve bank note device instead of Federal Reserve notes.

H.M.JR: What is the internal picture?

MR. LINDOW: The reason they buy this nine billion is to take care of both member bank reserves due to increased deposits and the currency outflow, which is five billion a year. Now if in that five billion the Federal Reserve were to issue Federal Reserve Bank notes rather than Federal Reserve notes, they could avoid any further drain on their gold reserve for that purpose. They could even back up and substitute Federal Reserve Bank notes for



Federal Reserves notes now outstanding and improve the ratio. They have apparently decided they don't like that solution because they got the President to put this thing in the Budget message. If that solution is discarded, then you have to go up against the problem that once they get down to around forty percent they just can't do any more for the market.

H.M.JR: Why are you fellows against having them go to Congress?

MR. LINDOW: I don't think we are against it.

MR. TICKTON: They ought to go right away.

MR. LINDOW: Something ought to be done soon.

H.M.JR: aren't they willing to do it right away?

MR. BELL: I think they are willing to go pretty soon. That's a subject that should be discussed. It doesn't necessarily have to be discussed here today.

H.M.JR: Why not?

MR. LINDOW: I think it ought to be settled. It may take weeks up there to get settled on the Hill.

MR. HAAS: The Secretary would be in an awful stew if the war loan came up and people started worrying about that.

MR. BELL: I think it ought to be done before the Seventh War Loan and before Bretton Woods. Bretton Woods affects your gold, you know.

MR. TICKTON: It's going to cause a discussion.

H.M.JR: I don't see why the two things are related.

MR. BELL: You are going to take a lot of gold out of the Bretton Woods proposal and that immediately reduces your ratio, so you are going to have to do something about Bretton Woods.

H.M.JR: You talk to Harry White about doing something before Bretton Woods.

MR. BELL: Bretton Woods is liable to be a long drawn out argument.

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

MR. BELL: You don't?

H.M.JR: No. We have support on the Republican side-- I don't think it is going to take very long--they were talking about it a couple of weeks ago in the House.

MR. BELL: A couple of weeks in the House and maybe a week or so on the Floor, and two weeks in the Senate-- six weeks go by--that means way into March.

MR. LINDOW: I think the way this thing should be viewed, Mr. Secretary--everything is in pretty good shape now but it is pretty easy to get the apple cart upset, and these changes in the pattern which have occurred are a discouraging element and I don't think we ought to give the market or the financial community a chance to start getting worried. If we let this thing go very long, they are going to get worried.

MR. HAAS: I think it is past due and it would have been better if we had done it six months or a year ago.

H.M.JR: That doesn't help anything, you know.

MR. HAAS: I just mentioned that to show the urgency at the moment.

MR. LINDOW: I think we would have recommended it last summer if it hadn't been for the political situation and election coming up.

MR. HAAS: That's why we didn't.

H.M.JR: I think we definitely ought to bring it up.

MR. BELL: Today?

H.M.JR: Today, sure.

MR. BELL: I think they have discussed it among themselves and they have agreed, I assume, in view of the Budget Messare, it ought to be legislation and not Federal Reserve Bank notes. It can't be Federal Reserve Bank notes without going to two Committees in Congress and explaining it to them, because last year we said we had no objection to passing a bill which would repeal that section of the law authorizing them to issue Federal Reserve Bank notes. Eccles said the same thing and it went through the Senate and was pigeonholed in the House Committee. Stearns didn't bring it out.

In view of that action I think we have to explain to the committee these two devices, one by legislation, and the other by Federal Reserve Bank notes. If they would rather go the Federal Reserve Bank note route, I think that is tantamount to a vote of confidence from the two committees that would authorize us to go ahead and tell us they had no objection, and I think we ought to say that publicly, which would take some of the edge off the criticism we would get outside of Congress.

MR. HAAS: I think, Mr. Secretary, through legislation--I think there is a possibility the Federal may want to include some banking reform legislation along with legislation for reserve ratio. That would be unfortunate and it should be handled like the debt limit, alone. That way it would go through Congress quickly. There would be no other item. It should not be mixed with banking reform.

H.M.JR: What?

MR. HAAS: They may not. But they mix other things with it. You get all kinds of adverse discussions in the Government bond market and everything else.

MR. BELL: It seems to me the main item this morning for discussion is this certificate rate on this bill program, and George has in here a sentence that is important, that the breach in the certificate pattern of rates be completely restored within the course of the next few weeks. I think that there would be quite an argument about that as to whether it should be completely restored, and if we could get something out of them, there would be a continued improvement in that. Until they get down and get substantially the loss back, I wouldn't put it right on the line, I don't think. And the other bill program--there will be a lot of argument on that. They will say the increase on reserves, as a result of selling bills, will go into the two percent market, which is already very strong.

Now, if you want a two percent strong market with a view to later reducing your 3-10 year period from two percent to one and three-quarters, why maybe it's a good thing to--

M.M.JR: I am satisfied with two percent. What the hell! I'd be satisfied if we could go on as we are.

MR. MAAS: So am I.

MR. BELL: I am too. Before the next drive we ought to give consideration to issuing something other than two percent bonds. One and three-quarters, and put it a little below the line.

M.M.JR: I am more than willing to start this discussion this morning and keep in contact with it, but I just don't have the patience to get into three or four discussions. I mean, you will have to bear the brunt of that. I can't go into this long-winded thing where he tries to wear me down. (Laughter)

MR. BELL: I think he wears you and everybody else down. The last time I talked to him over the telephone at five-thirty, he hung up at six-thirty in the evening.

(The Secretary leaves conference temporarily)

H.M.JR: Have you got it all settled?

MR. BELL: I think we ought to have a little more pointed agenda on our desks to follow the rate. Then we will have quite a bit of comment to make on the contents of your letter. Sproul said it had some implications in it that had to be straightened out for the record.

H.M.JR: I have your word. Have you got the record so in case--

MR. BELL: We didn't have much time to go over the record, but you remember last year you asked Henry Murphy to go over the record?

H.M.JR: Where is Henry? Were you sick or were you on vacation?

MR. TICKTON: I was traveling for a couple of days.

MR. HAAS: He was looking over the Sixth War Loan.

MR. BELL: Maybe you will remember it now.

We have a lot of references to the record and didn't have time last night to go into it. That is the most important thing anyway. That is when the decisions were made and it has been pretty well kept.

H.M.JR: The only thing I thought, if it would be agreeable to you, at three o'clock group on Monday I would kind of like to have--who is the man who does the surveys with us--I would like to have him here.

MR. HAAS: Is he in town? He is going to do a job in Europe. I don't know if he is here.

MR. LINDON: Likert? Cartwright is his assistant.

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H.M.JR: Is he any good in--

MR. LINDOW: He does the War Loan work.

H.M.JR: I would like one or the other here and ask him maybe to go out tonight and ask some questions. I would like to have that done by Monday.

MR. LINDOW: There are some aspects of that which were covered in the Louisville Survey which they did for us.

MR. BELL: They did a little. It was not extensive.

H.M.JR: Will you ask either Likert or Cartwright to be here, either one or the other?

MR. HAAS: At three o'clock.

H.M.JR: And tell them they are going to get an order from me, maybe tomorrow, to go make some spot checks. It won't be necessary to go very far. Maybe a couple of good, bright girls, George--

MR. HAAS: Yes, sir.

H.M.JR: It's going to be like the Buffalo one. I am going to meet with them myself, actually.

MR. HAAS: He can tell you his experience with the Louisville job, too, while he is over here.

MR. LINDOW: I thought that was quite revealing as to what went on in peoples' minds.

H.M.JR: What?

MR. LINDOW: The Louisville survey. The most important thing they found was that there was an underlying fear of the future, unemployment, banks might go busted--people have lost

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money in them before--and the fear of Government bonds being frozen, something like that, and person after person expressed this fear, never saying he himself had it, but that other people he knew had it.

H.M.JR: I don't want to function that way. I want to function differently. I have to keep this a Treasury secret, but I would like to say, supposing the Government said you couldn't have anything but a twenty-dollar bill, you had to turn them all in? How would you feel?

MR. HAAS: And give your name.

H.M.JR: And give your name. Yes. That's what I mean.

MR. LINDOW: I see.

H.M.JR: Go to a fellow in a restaurant down in Norfolk and dish out one hundred dollar bills and say to the fellow, "Bill, how would you feel if you were told such and such a date you couldn't have any more and you had to turn them all in and give your name?"

MR. HAAS: That's the problem.

MR. BELL: It's not keeping it secret. You said you wanted to keep it a secret. Isn't that starting to give away what you have in mind? Will that be discussed?

H.M.JR: You go down in saloons or some other place like that--that level--they are not going to suspect anything. A fellow sits around and talks with him. I am going to make this suggestion to Elmer that in the underworld, see, they talk to a couple of these people. They are not going to ask the bank to do it, my God! They right away walk out and what can you do at that level?

MR. HAAS: You would have to caution Cartwright very carefully on it.

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MR. TICKTON: You wouldn't want it reported as a Government survey. That would fix it up!

H.M.JR: Let me talk to Elmer and see if he can't do it. Keep it in the Treasury. Before you send for him--

Elmer isn't on this. It always takes him so damm long to get here. Isn't he--

MR. BELL: Isn't he around the corner?

MR. TICKTON: First floor.

H.M.JR: Where is Elmer Ireys? What floor is he on? I'll talk to him alone.

You hold up on that. I will let you know.

MR. HAAS: Yes.

H.M.JR: I think I know what he--well, we are having a meeting at eleven.

MR. BELL: Eleven, with Eccles.



# TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE JAN 10 1945

TO Secretary Morgenthau  
FROM Mr. Haas  
Subject: Problems Relating to the Government Bond Market

There are a number of problems relating to the Government bond market which should be given early attention. These concern mainly (1) the breach of the certificate pattern of rates, (2) a series of other changes in the pattern of rates suggested unofficially by Chairman Eccles, (3) the question of issuing more Treasury bills, and (4) the problem of the declining Federal Reserve ratio.

## 1. Certificate pattern of rates

The breach in the certificate pattern of rates has been partially restored since your letter to Chairman Eccles on this matter. The yield on three-month certificates is calculated from our curve at 0.60 percent for the market close last night as compared with 0.68 percent on December 22, the day you sent your letter to Chairman Eccles. This compares with 0.46 percent last September 1, before the weakness was permitted to develop. All of the recovery has occurred since December 29, although the Federal Reserve System has not purchased any certificates since that date. It is important that the breach in the certificate pattern of rates be completely restored within the course of the next few weeks.

## 2. Other changes in pattern rates suggested by Chairman Eccles

The unofficial proposals to make certain changes in the pattern of rates were outlined in a memorandum from the Chairman dated December 16, 1944. The gist of this memorandum is that the pattern of rates be changed as follows: (1) Increase the bill rate from  $\frac{3}{8}$  to  $\frac{1}{2}$  percent with some increase in maturity, (2) decrease the certificate rate from  $\frac{7}{8}$  to  $\frac{3}{4}$  percent, and (3) decrease the 8-10 year bond rate from 2 percent to about  $1\frac{3}{4}$  percent. We recommend that the increase in the bill rate not be adopted, because of the possibility of its being interpreted as a further weakening in the pattern of rates and in the Government's ability to hold the line on interest rates -- the outstanding achievement of all the wartime controls. The decrease in the certificate rate and the 8-10 year bond rate

Secretary Morgenthau - 2

are worthy of serious consideration, but action along such lines should be taken very carefully. We favor lowering of rates as much as possible in order to bolster confidence in the financing program and to decrease interest costs to the Government. The market is partly prepared for this, since many people believe we are likely to follow the British in the lowering of interest rates.

### 3. Treasury bills

The weekly offering of Treasury bills should be increased to raise at least \$200 millions of new money per week -- not for the purpose of increasing the working balance but rather to strengthen the short end of the pattern of rates. An increase in the bill offering would improve the reserve and quasi-reserve position of commercial banks, and would provide the most suitable vehicle for the billions of Federal Reserve acquisitions which will be necessary before the Seventh War Loan.

### 4. Federal Reserve Ratio

The Federal Reserve ratio was 49.4 percent last Wednesday, and may be expected to decline steadily until the Seventh War Loan. The legal minimum is between 35 and 40 percent depending on the composition of Federal Reserve liabilities. The problem of what to do about the ratio should be discussed at once with Federal Reserve officials with the view of seeking new legislation lowering the required ratio, which the President said in his Budget message he intends to request soon. This matter has been discussed frequently in financial circles and some action is expected relatively soon. Nevertheless, there may be some criticism when action is finally taken, and every effort should be made to handle this matter quietly and expeditiously.

Secretary Morgenthau - 2

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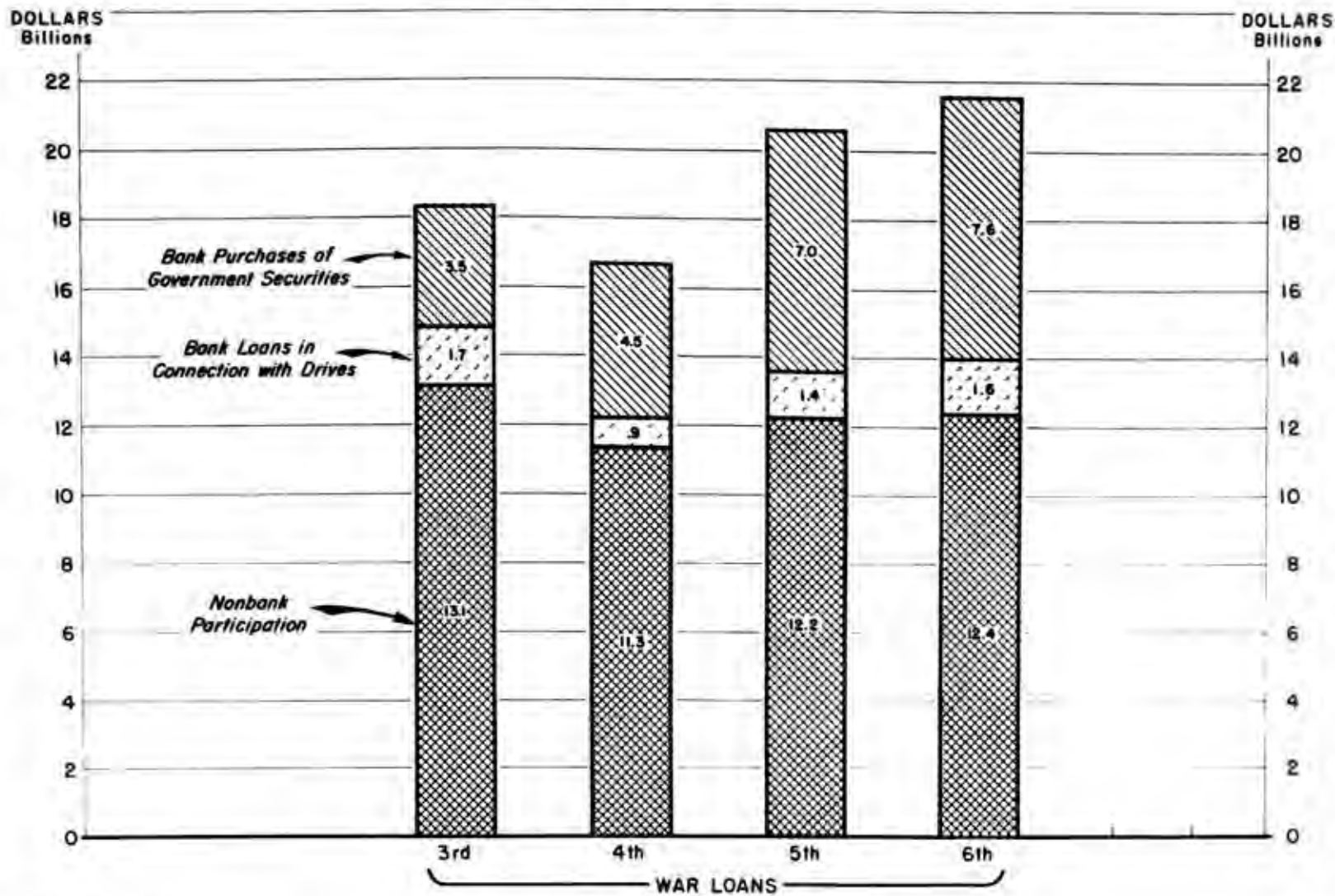
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# SOURCES OF FUNDS BORROWED DURING WAR LOANS

## Third to Sixth Loans



January 10, 1945  
10:26 a.m.

Operator: He'll be right on.

General  
Watson: Hello.

HMJr: Yes.

W: Say ....

HMJr: Yes.

W: .... the President says he might squeeze you in  
for fifteen minutes.

HMJr: Yes.

W: But that's all.

HMJr: That's ....

W: Now, if that will do you any good.

HMJr: That will do me a lot of good.

W: Well, that's what he said. You have to understand  
that that's all it's going to be.

HMJr: That's all right.

W: All right. Shall I tell Ed Stettinius?

HMJr: Yeah, but you haven't told me what time.

W: Well, what time -- we've got you down at 12:20  
and there's somebody coming in after that -- at  
twelve -- twelve, forty -- but you'll have --  
trying to get you -- yeah -- all right, make it  
12:20.

HMJr: You can't make it any earlier?

W: No, he's got -- he's tied up with medals of honor  
and everything else.

HMJr: I see.

W: He's got a hell of a day. He's going away  
Thursday night, you know.

HMJr: I know.

W: That's the reason he's so crowded.

HMJr: 12:20.

W: Yeah. Tomorrow he's having a two-hour session with Hannegan.

HMJr: What?

W: He's having a two-hour session tomorrow. That's the reason he couldn't do anything tomorrow.

HMJr: 12:10 -- you ....

W: 12:20.

HMJr: You let Stettinius know.

W: I'll tell him right now.

HMJr: Right.

W: I'd make it 12:25 myself. Well, that's all right.

HMJr: Well, tell Roberta to keep me posted.

W: All right. I'd come -- I'd be here at 12:20 and wait around about five minutes. Then I might get you in earlier.

HMJr: Yeah.

W: That's better.

HMJr: Right.

W: All right, 12:20 and I'll tell Ed.

HMJr: Thank you.

W: And I'll put you both on the record.

HMJr: Right.

W: I'll tell you it's just the God-damndest thing you ever saw.

HMJr: What?

W: It's the God-damndest thing you ever saw the way people are crowding in now. That's the reason I had difficulty.

HMJr: Yes.

W: But I got you in.

HMJr: Well, you don't -- that's other people than me.

W: No, no, not you.

HMJr: No.

W: Well, you're okay.

HMJr: Yes.

W: He said he didn't know what you're talking about but anything you wanted would be all right. (Laughs) I told him I didn't either.

HMJr: All right.

W: 12:20.

HMJr: Thank you.

W: Good. Thank you.

HM Jr took these documents to the

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White House for meeting with the

President and Stettinius on 1/10/45 - 12:20  
pm



1. Letter to the President on Foreign Financial Policy Board dated January 5th, together with enclosures.
- 1A. Memorandum to the President dated January 10th on Foreign Financial Policy
2. Memorandum for the President on \$10 billion reconstruction credit for the U.S.S.R.
3. Memorandum for the President on Germany.

January 5, 1945

My dear Mr. President:

I am sending you, enclosed herewith, a memorandum on a Foreign Financial Policy Board, and also a proposed Executive Order.

Ed Stettinius and I would like to have an opportunity to discuss this with you at an early date. This does not mean that Ed and I are having any fundamental differences; on the contrary, we have gotten off to a grand start together. However, it is our belief that nobody but yourself can settle this question because, quite frankly, we do not know just what you have in your mind.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

The President,

The White House.

MEMORANDUM RE: ESTABLISHMENT OF A FOREIGN  
FINANCIAL POLICY BOARD

1. The President suggested to the Secretary of State, on August 21, the possibility of establishing a Foreign Financial Policy Board. The Secretary of State, on September 28, raised certain doubts with respect to this proposal, stressing the functions of the Executive Committee on Economic Foreign Policy. The Secretary of State indicated, however, that there might be a need for an interdepartmental committee to coordinate, within the general framework of foreign economic policy, foreign financial activities and indicated that he would be glad to ask the Executive Committee on Economic Foreign Policy to explore the matter and prepare a plan for coordination of our foreign financial operations.

2. The Executive Committee on Economic Foreign Policy has now submitted a plan proposing the creation of a Financial Section of that Committee which would be on an equal level with the General Section of the Committee, both Sections having the power to make recommendations to the President. It is provided that the Executive Secretary of the Executive Committee should be the secretary of the Financial Section as well as the General Section, and the Executive Committee Secretariat should serve the Financial Section as well as the General Section.

3. This proposal submitted by the Executive Committee on Foreign Economic Policy has a great deal of merit. In view of the fundamental importance of the issues with which both the economic and financial committees will be dealing and in order that those committees may carry as much weight with governmental authorities as possible, it is suggested that both committees be formally established at a Cabinet level. The Secretary of State would chair the committee on foreign economic matters and the Secretary of the Treasury would chair the committee on foreign financial matters. Both Cabinet committees would, of course, have appropriate technical sub-committees.

4. As a further measure to augment the prestige of the proposed Committee, it is suggested that it be established pursuant to Executive Order.

5. It is also suggested that both committees have separate secretariats although close liaison could be maintained between the two secretariats. Both secretariats would exchange documents and each could have a representative at all of the meetings of the other's committee.

6. The Executive Committee on Economic Foreign Policy has suggested that the financial section of that Committee should represent the Treasury Department, the Department of State, the Reconstruction Finance Corporation, the Foreign Economic Administration, and the Export-Import Bank. The Committee also suggests that there should be an observer from the bureau of the budget and that representatives of the board of Governors of the Federal Reserve System, the Office of Economic Stabilization, the Surplus Property Board, the Securities Exchange Commission, and other agencies be invited to participate when subjects of particular interest to them are under consideration. The Treasury Department agrees with these suggestions.

7. The Secretary of State, through his chairmanship of the foreign economic committee and his representation on the foreign financial committee, would be in position to coordinate the activities of both committees as well as to see to it that the decisions of both committees conform to the foreign policy of the United States as formulated by the State Department.

EXECUTIVE ORDER  
ESTABLISHING A FOREIGN ECONOMIC AND  
FINANCIAL POLICY BOARD

By virtue of the authority vested in me, as President of the United States, by the Constitution and statutes of the United States, and in order to provide for the more effective coordination of the functions and activities of the Government in relation to foreign economic and financial problems, it is hereby ordered as follows:

1. There is hereby established the Foreign Economic and Financial Policy Board (hereinafter referred to as the Board), to be composed of a Committee on Economic Foreign Policy (hereinafter referred to as the Economic Committee), and a Committee on Financial Foreign Policy (hereinafter referred to as the Financial Committee). It shall be the function of the Board, acting through these Committees and subject to the direction and control of the President:

(a) To develop unified programs and to establish policies with respect to the economic and financial relationships between this Government and foreign governments.

(b) To arrange for the unification and coordination of the activities of this Government relating to foreign economic and financial affairs.

- 2 -

(c) To report to the President at frequent intervals concerning its activities and to make such recommendations to him as the Board may deem appropriate.

All action of the Board shall be in conformity with the foreign policy of the United States as determined by the Secretary of State.

2. The Board shall discharge its responsibilities through the Economic Committee and the Financial Committee. Each Committee shall be coordinate in rank and each shall have the full power to speak for the Board within their respective spheres of activity.

(a) The Economic Committee shall consist of the Secretary of State, the Secretary of the Treasury, the Secretary of Agriculture, the Secretary of Commerce, the Secretary of Labor, the Chairman of the United States Tariff Commission, and the Administrator of the Foreign Economic Administration. The Chairman of the Committee shall be the Secretary of State.

(b) The Financial Committee shall consist of the Secretary of State, the Secretary of the Treasury, the Administrator of the Foreign Economic Administration, the Chairman of the Reconstruction Finance Corporation, and the President of the Export-Import Bank. The

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Chairman of the Committee shall be the Secretary of the Treasury.

The Bureau of the Budget shall have an observer on each Committee. The Chairman of each Committee shall request the heads of other departments and agencies of the Government to be represented in the Committee's deliberations whenever matters specially affecting such departments or agencies are under consideration. Each member of each Committee may designate an alternate from among the officials of his Department or Agency and such alternate may act for such members in all matters relating to the Board.

3. The respective jurisdiction of the two Committees shall be determined by the Chairmen of the Committees acting jointly. The Chairmen shall consult together from time to time with a view to allocating functions among the two Committees and to coordinating their activities. In the event that the Chairmen are of the opinion that any particular problem should be considered by both Committees, they may decide to hold joint meetings.

4. The Chairman of each Committee shall appoint a Secretary to the Committee and such staff as may be necessary. The Secretary of each Committee or his representative shall be entitled to attend all meetings of the other Committee and shall be responsible for keeping the membership of his Committee fully acquainted with the work of the other Committee.

5. It shall be the duty of all agencies and departments to supply or obtain for each committee such information and to extend to each committee such assistance and facilities as the committee may require in carrying out the provisions of this order. Nothing contained in this order shall remove the responsibility or authority of each executive department or agency for carrying out its own functions and operations but such functions and operations shall be carried out in accordance with the over-all foreign financial policies formulated by the Board through its respective Committees.

6. All prior executive orders and instructions insofar as they are in conflict herewith are amended accordingly.



THE WHITE HOUSE  
WASHINGTON

December 9, 1944.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

I have resurrected the enclosed.  
Perhaps you will now have a talk with  
Stettinius about it. Please return  
enclosures for my files.

F. D. R.

O.K.

F.D.R.

DEPARTMENT OF STATE  
WASHINGTON

September 26, 1944

MEMORANDUM FOR THE PRESIDENT

Reference is made to your memorandum of August 21, 1944 in which you asked my views on the establishment of a Foreign Financial Policy Board.

If such a Board were to have responsibility for actually formulating foreign policy in the financial field, I believe that its establishment would be inconsistent with the terms of reference of the already existing Executive Committee on Economic Foreign Policy. This Committee was established in accordance with your letter of April 5, 1944, "...to examine problems and developments affecting the economic foreign policy of the United States and to formulate recommendations in regard thereto for the consideration of the Secretary of State, and, in appropriate cases, of the President."

During the six months of its existence, the Executive Committee has made gratifying progress in the development of a coordinated program of foreign economic policy. In view of its broad perspective of international economic affairs, the Committee is, I think, especially competent to perform the function of coordinating the financial policy of this Government with other closely interrelated aspects of economic foreign policy. I do not believe, therefore, that the establishment of a separate Foreign Financial Policy Board is necessary or desirable. In fact, the establishment of such a board would have the effect of splitting off financial policy from the remainder of the foreign economic field of which it is an integral part, with serious results to our whole program.

There may, however, be considerations pointing to the need for an interdepartmental committee to coordinate, within the general framework of foreign economic policy,

foreign

- 2 -

foreign financial activities such as those carried on by the Export-Import Bank, the Reconstruction Finance Corporation, the Surplus War Property Administration and agencies of the Government dealing with the Stabilization Fund, Foreign Funds Control, Lend-Lease operations and financial problems of the liberated areas. Such a committee might, also within the framework of foreign economic policy, assume responsibility for the preparation of detailed directives for the guidance of United States representatives on such proposed international bodies as the International Monetary Fund and the International Bank for Reconstruction and Development. It is important however that, if such a committee is established, every precaution should be taken to avoid artificially separating the formulation of financial policy from that of foreign economic policy in general. It was for the purpose of achieving this unity that you established the Executive Committee on Economic Foreign Policy and provided in your letter of April 5 that major interdepartmental committees concerned with foreign economic affairs should be geared into the Executive Committee.

If you so desire, I should be glad to ask the Executive Committee on Economic Foreign Policy to explore this matter and prepare a plan for coordination of our foreign financial operations.

C. H.



THE SECRETARY OF THE TREASURY  
WASHINGTON

October 6, 1944

My dear Mr. President:

Mr. Hull's memorandum of September 26th, which I am returning, seems to reflect a complete misunderstanding of what I proposed, namely, the creation of a Foreign Financial Policy Committee.

I would like to suggest postponement of discussion on this important matter until after your re-election.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Henry".

The President,  
The White House.



January 10, 1945.

MEMORANDUM FOR THE PRESIDENT

The role which the Treasury Department has traditionally occupied in the field of foreign financial policy is frequently overlooked. This fact is clearly brought out by the following illustrations:

1. The Liberty Loan Act of 1917 authorized the Secretary of the Treasury, with the approval of the President, to enter into arrangements for the extension of credit to foreign governments. Under this Act the Treasury Department made war and reconstruction loans of approximately nine and one-half billion dollars.

2. When President Wilson attended the Peace Conference in Paris he requested Secretary of Treasury Glass to send a representative "in whom you have the utmost confidence \* \* \* to represent you in these important matters." In response Secretary Glass recommended Mr. Norman H. Davis who was then representing the Treasury in Europe. Albert Strauss and T. W. Lamont later joined the Treasury Commission and while they worked for the President they were able to express the Treasury viewpoint on all financial (and apparently economic) matters which arose at the Peace Conference.

3. In February 1922 Congress authorized the establishment of the World War Foreign Debt Commission consisting specifically of the Secretary of the Treasury, as Chairman, and four (later seven) other members to be appointed by the President with the advice and consent of the Senate. The Act authorized the Commission, subject to Presidential approval (and subsequently Congressional approval), to refund or convert, and to extend the time of payment of any obligation of any foreign government to the United States

arising out of World War I. Under this legislation agreements were entered into with thirteen different foreign governments.

4. As a matter of fact our files indicate that the financial relations between the United States and foreign governments during and after the first World War were conducted by the Secretary of the Treasury, with the President's approval. For this purpose the Secretary of the Treasury dealt directly with representatives of foreign governments and had special financial representatives in Europe for such purposes. At that time it was not even customary for the Secretary of the Treasury to clear such matters with the State Department.

5. Under this Administration Congress enacted the Gold Reserve Act of 1934 and established a two billion dollar stabilization fund to be operated by the Secretary of the Treasury with the approval of the President. Pursuant to this legislation, the Treasury has entered into stabilization agreements with Russia, Brazil, China, Cuba, Ecuador, Iceland, Liberia, and Mexico. Under this legislation and with your approval, the Treasury also negotiated the Tripartite Monetary Accord between the United States, Great Britain and France. Subsequently the Netherlands, Belgium and Switzerland adhered to this Accord.

6. To carry out the provisions of the Silver Purchase Act, the Treasury negotiated agreements with Canada and Mexico for the purchase of their silver production at the Treasury's buying price for silver. All operations under these agreements are conducted by the Treasury through the Federal Reserve Bank of New York as its fiscal agent.

7. The Hyde Park Declaration of April 20, 1941 which was the basis for our war time financial relations with Canada grew out of exploratory discussions between the Treasury Department and the Canadian authorities. Since that date there have been constant discussions between the Treasury and Canadian representatives on the subject of Canadian dollar balances. When the Hyde Park Agreement was modified in 1944 the discussions were conducted in the Treasury Department between the Canadian Minister of Finance and the Secretary of the Treasury.

8. You designated the Secretary of Treasury as Chairman of the American group conducting the recent discussions with the British over Phase II Lend Lease requirements. During these discussions the Secretary of the Treasury also served as Chairman of all joint meetings with the British.

9. The Treasury has played a leading role in our financial relations with China. Thus in February of 1942 Congress authorized the Secretary of the Treasury, with your approval, to extend a \$500,000,000 loan to China and we negotiated the loan. More recently, the Treasury has just concluded a financial agreement with the Chinese Government for the settlement of all War Department obligations up to September 30, 1944.

10. The Treasury from the very beginning has led all discussions in this Government and with foreign governments leading to the formulation of the Bretton Woods Agreements. You appointed the Secretary of the Treasury as Chairman of the United States Delegation and he was subsequently elected President of the Conference at Bretton Woods at which 44 nations were represented.

1/10/45  
*[Handwritten signature]*

Jan 10, 1945

MEMORANDUM FOR THE PRESIDENT

A \$10 Billion Reconstruction Credit for the U.S.S.R.

I suggest consideration be given to a financial arrangement with the U.S.S.R. to provide her with \$10 billion credits for the purchase of reconstruction goods in the U.S., with provision for repayment to us chiefly in strategic raw materials in short supply in the U.S.

1. The interest rate could be 2%, amortized over a period of 35 years. A schedule of repayments is attached.

2. The Russians have more than adequate means to assure full repayment. There are three principal sources from which she can obtain the necessary amount of dollars.

(a) Selling to us strategic raw materials which are in short supply in the U.S. because of our depleted natural resources. (See attached memorandum)

(b) Russia will be able to develop substantial dollar assets from tourist trade, exports of non-strategic items to the U.S., and from a favorable balance of trade with the rest of the world.

(c) Russia has a stock of gold estimated at \$2 billion now and is reported to be able to produce from \$150 to \$250 million per year. These gold resources can be used to pay her obligations to the United States to the extent that her other dollar sources are not adequate.

3. An important feature of this proposal is that we will be conserving our depleted natural resources by drawing on Russia's huge reserves for current needs of industrial raw materials in short supply here. We would be able to obtain a provision in the financial agreement whereby we could call upon Russia for whatever raw materials we need without giving a commitment on our part to buy.

4. This credit to Russia would be a major step in your program to provide 80 million jobs in the post-war period.

hdw;hg;af1;jed;sg;rl 1/10/45

Regraded Unclassified



## Conservation of U.S. Natural Resources and Imports from the U.S.S.R.

The U.S. has had to draw heavily on domestic raw material reserves during the war to meet peak production requirements. The following table prepared from some recent confidential reports for the Under Secretary of Interior discloses the depleted natural resources of the United States, and emphasizes the need for conservation measures.

### Reserve Domestic Supplies

	<u>On Basis of our 1939 Domestic Consumption</u>	<u>On Basis of our Current Consumption 1943</u>
Petroleum	16 years supply	13 years supply
Manganese	9 " "	3 " "
Tungsten	23 " "	3 " "
Zinc	17 " "	8 " "
Lead	7 " "	6 " "
Chrome	No record	Less than 1 year's supply
Mercury	3 years supply	

We could safeguard and conserve our strategic material reserves in post-war years which are now at minimum levels, by importing from abroad to meet ordinary annual production requirements. The U.S.S.R. has tremendous reserves of many materials which the U.S. will urgently require after the war. A reconstruction loan to the U.S.S.R. will give us the means whereby we can conserve our own natural resources for the next two generations, by utilizing Russian reserves. The U.S.S.R. could provide substantial quantities of strategic raw materials for an annual basis within five years after the close of the war as indicated in the following table.

Metals and metallic ores (Manganese, Tungsten, graphite, mica, chrome, mercury, iron ore, platinum, copper)	\$80,000,000
Timber and wood products	45,000,000
Petroleum	50,000,000
Oils and oilcake	10,000,000
Other industrial raw materials	<u>15,000,000</u>
Total	\$200,000,000

Repayment Schedule for Advance of \$10 Billion  
Credit for 35 Years at 2 Percent 1/

(Millions of Dollars)

<u>Year</u>	<u>Scheduled Expenditure</u>	<u>Annual Interest</u>	<u>Annual Scheduled Repayment</u>	<u>Unpaid Balance At End of Year</u>
1	1,000	20	0	1,020
2	2,500	70	0	3,590
3	3,000	132	0	6,722
4	2,500	184	100	9,307
5	1,000	206	150	10,513
6		210	200	10,523
7		210	250	10,484
8		210	300	10,393
9		208	350	10,251
10		205	400	10,056
11		201	400	9,857
12		197	400	9,655
13		193	400	9,448
14		189	400	9,237
15		185	500	8,922
16		178	500	8,601
17		172	500	8,273
18		165	500	7,938
19		159	500	7,597
20		152	500	7,249
21		145	500	6,894
22		138	500	6,532
23		131	500	6,162
24		123	500	5,785
25		116	600	5,301
26		108	600	4,807
27		98	600	4,303
28		86	600	3,789
29		76	600	3,265
30		65	600	2,730
31		55	600	2,185
32		44	600	1,629
33		33	600	1,061
34		21	600	483
35		10	492	
		<u>4,691</u>	<u>14,842</u>	

1/ This schedule is a basis for negotiation.

COPY

*Copy given to Miss  
Trotter 1/10/45*

January 10, 1945.

MEMORANDUM FOR THE PRESIDENT

During the last few months we have been giving further study to the problem of what to do with Germany after her defeat.

We are more convinced than ever that if we really mean to deprive Germany of the ability to make war again within a few years it is absolutely essential that she be deprived of her chemical, metallurgical and electrical industries. We don't think that this alone will guarantee peace, but that it is one of the steps we must take now.

We base this conclusion on the following premises, which seem to us unassailable:

- (1) The German people have the will to try it again.
- (2) Programs for democracy, re-education and kindness cannot destroy this will within any brief time.
- (3) Heavy industry is the core of Germany's war-making potential.

Nearly all Americans grant the first point. A few, such as Dorothy Thompson, appear to disagree with the second; but all that we know and have learned recently--our experience with war prisoners, for instance--seems to argue against them. As to the third, America's own accomplishments in four years seem to us a shining lesson of what an equally versatile people can do. Our industry was converted from the world's greatest peacetime producer in 1940 to the world's greatest producer of military weapons in 1944. The Germans are versatile. Leave them the necessary heavy industry to build on and they can work as fast and as effectively as we.

The more I think of this problem, and the more I hear and read discussions of it, the clearer it seems to me that the real motive of most of those who oppose a weak Germany is not any actual disagreement on these three points. On the contrary, it is simply an expression of fear of Russia and communism. It is the twenty-year-old idea of a "bulwark against Bolshevism"-- which was one of the factors that brought this present war down on us.

Because the people who hold this view are unwilling (for reasons which, no doubt, they regard as statesman-like) to come out in the open and lay the real issue on the table, all sorts of smoke screens are thrown up to support the proposition that Germany must be rebuilt. Examples are:

- (a) The fallacy that Europe needs a strong industrial Germany.
- (b) The contention that recurring reparations (which would require immediate reconstruction of the German economy) are necessary so that Germany may be made to pay for the destruction she has caused.
- (c) The naive belief that the removal or destruction of all German war materials and the German armament industry would in itself prevent Germany from waging another war.
- (d) The illogical assumption that a "soft" peace would facilitate the growth of democracy in Germany.
- (e) The fallacy that making Germany a predominantly agricultural country, with light industries but no heavy industries, would mean starving Germans.

We can submit to you studies which in our opinion will demonstrate that these propositions and others leading to the same conclusions are false.

This thing needs to be dragged out into the open. I feel so deeply about it that I speak strongly. If we don't face it I am just as sure as I can be that we are going to let a lot of hollow and hypocritical propaganda lead us into recreating a strong Germany and making a foe of Russia. I shudder for the sake of our children to think of what will follow.

There is nothing that I can think of that can do more at this moment to engender trust or distrust between the United States and Russia than the position this Government takes on the German problem.

/s/ H. Morgenthau, Jr.

Secretary of the Treasury.

1/10/45

○ The President did not read Mr.  
Luxford's memo of 1/10/45 on Foreign  
Financial Policy.

January 10, 1945

Present:

Mr. Bell  
Mr. Luxford  
Mr. Dubois  
Mr. Gaston  
Mrs. Klotz

HM, Jr: What I want to say is this: I can't overemphasize the secretiveness of this and the only people in this room I want to know about it are White and O'Connell; nobody else.

Now, I sat outside of the President's door for one hour waiting to see him and I showed Stettinius this program that I had for this over-all committee, and he glanced at it and I gave him a set of it. I believe; I am not sure. So he said, "Now, look, Henry, he said, what I have in mind is a Cabinet committee composed of the Secretary of State, Secretary of the Treasury, Commerce and Interior, which will deal with all economic matters and, he said, before this committee will be brought anything to do with finance. He said, I give you an example. Do you know that Ickes has made or is about to make a \$50,000,000 loan to Mexico on oil? I said no. He said, You should. He said, Do you know about financing Saudi Arabia? I said no. He said, You should. He said, "The biggest thing in this town is the Russian Lend-Lease on military matters and you know nothing about it and, he said, you should. And, he said, there are all these things going on which you don't know anything about which have to do with money. He said Ickes is all over the lot and nobody knows what

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he is doing and he's making promises of finance to other Governments. He said, My idea is to bring everything before this committee and they will set the policy and then we will make a recommendation to the President.

Then he said, As to FEA -- and he wants secrecy and of course that's why I have got to emphasize the secrecy because he's been sworn so to secrecy for Crowley's sake. I will tell everything. Wallace is going to be Secretary of Commerce and FEA is to go to Commerce, lock, stock and barrel. Now, he said, if you will wait a little bit on this thing we can do it all at one time and wait for the new set-up; otherwise we have got to put Crowley on the Board. Then he said to me, he said, Crowley yesterday called me up and pleaded with me to keep this Treasury executive order from going through and he had a copy of it. Well, I was dumbfounded. Did we furnish Crowley with a copy of it?

Mr. Luxford: No.

HM, Jr: He said Crowley had a copy of it.

Mr. Luxford: State had a copy of it.

HM, Jr: Are you sure?

Mr. Luxford: The only way I can be sure is to ask Harry White.

(HM, Jr placed a call for Mrs. Shanahan in Dr. White's office.)

Mrs. Klotz: It's terribly important. It's the same thing as the German thing.

HM, Jr: Yes. I was dumbfounded. Did we send it to State or to the President?

Mr. Luxford: We handed it to Stettinius.

HM, Jr: And I personally gave one to Wallace and I don't think Wallace would give it to Crowley.



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Mr. Luxford: I expect they distributed it to their committee -- this economic committee they have got.

RM, Jr: Now we sat there and I listened and I could not help but think -- oh, yes. I said, Now look, now about -- are you going to set up a separate finance section in the State Department? he said, Absolutely not. He said, There are people who want it, but we won't do it. And somewhere during the conversation he said, I am so glad you brought to my attention the criticism of Pete Collado. He said, I want you to have Treasury attaches all over the world just the way you do now. I said, If it's a matter of a loan between governments? he said, That would be your job, but, he said, we have got to know the overall picture. I am going to try to get the President to tell you what he has in his mind. The last time I saw him he tried to leave me with the impression he did not know. So sitting there I said, I will give you an answer. I said, I think it sounds fair.

Mr. Luxford: Wallace-Morgenthau-Ickes is pretty hard to complain about.

RM, Jr: Well, the examples he gave me were so good.

(Mrs. Shanahan entered the conference and said, "As far as I know and as far as our records show, we did not send a copy to Mr. Crowley".

Mr. Luxford: Would the President give it to Byrnes? If he did, in that case I think Byrnes would give a copy to Crowley.

RM, Jr: Oh, sure! Anyway, we will go ahead. Anyway, I agreed to it.

So we went in and saw the President and Stettinius made this proposal. He asked me and I said, Mr. President, this goes back to the time -- I refreshed his memory -- that he sent me this thing, his memorandum of December 9 to me, and I then -- Stettinius wanted

me to do the taking. I said he should make the proposal, which he did, and the President looked at me and wanted to know if it was all right. I said, It's all right with me just as long as I understand that we work the way we have as before, but the question of the overall policy be decided by this board. I also, if I remember right, I also said, The State Department does not need to set up a separate finance section. I said, Mr. President, I am good enough to be financial advisor to you; I think I am good enough to be financial advisor to the Secretary of State. I told that to Stettinius outside. They both agreed. I don't see why the State Department needs another financial advisor. They have the Treasury Department, to which Stettinius agreed.

The President said, There are a lot of things all over the lot. Everybody is going to want to borrow some money and there will only be so much to go around. I think there should be such a Board.

Then, to bring you people up to date, Stettinius has just called me and he said -- now this is the part which is so hard to understand. He said, Now look, Henry, the conversation we had in the outside office, well, forget about that; we won't tell anybody that and we will tell just the one we had with the President. I said, Well, I don't understand, Ed. Oh, previous to that he told me he had just got finished talking with Acheson and Clayton and I don't understand that. I guess I am awfully dumb. He said, We will only tell them about the one we had with the President and we will tell them what a hard time you had convincing me. I said, Ed, don't kid me. What the hell are you talking about? He said, You know how difficult a time you had getting me to give me.

Mr. Gaston: He doesn't want to let them think that he gave way easily.

HM, Jr: Well, he didn't. He made a compromise offer. I said, Well, you made a compromise offer which I accepted readily. He said, That's right, but just remember I didn't give in easily.

Mr. Bell: Protecting himself with his own people.

Mr. Gaston: There was no talk in the President's office of abandoning the idea of a financial section in State?

HM, Jr: Yes, that was all cleared. I discussed it outside and inside - no finance section in the State Department.

Mr. Gaston: There would be this four-man international committee. That covers the main proposition discussed outside. What else outside that wasn't agreed to? I suppose what he's getting at, all there is to it since there was nothing else important, is that he does not want it admitted that he agreed readily with you outside, but he wants the record to stand that in the presence of the President you were able to force him into that decision. Evidently Clayton and Acheson don't like it.

Mr. Luxford: This would not be Acheson's proposal.

Mr. Gaston: But you and the President made him take it.

Mr. Du Bois: Either that or else he's trying to make the Secretary feel that it's not such a wonderful thing for you from your standpoint.

HM, Jr: That's what I told Mrs. Klotz -- super-salesman making me feel good.

(Phone conversation with Mr. Stettinius)

I told that to Mrs. Klotz. I think he wants me to feel that this is a wonderful bargain.

Mr. Luxford: More than that, supposing his men really did not like it, it means they are going to try to undercut from the beginning.

HM, Jr: Anyway, I said two or three times, I said, Ed, I am going to repeat myself, do I understand that what you have in your mind is that the Treasury will function as before except that on overall policies we will sit down -- four Cabinet members -- and discuss it and decide before we go to the President? He said, That's right. And that you will not have a finance section or financial advisor in the State Department. Yes. Yes. I said, Well, I am going to count on you on that.

Mr. Du bois: And Stettinius is to be chairman?

HM, Jr: He did not mention it outside. As soon as we went in to see the President he said, I think Stettinius should be chairman.

Mr. Bell: That's logical.

Mr. Gaston: Unless otherwise stated it would always be the case.

Mr. Du bois: With those other three -- not so good.

HM, Jr: But put yourself in my place. The thing sounds reasonable. He gave examples, very good examples, of things I know nothing about.

(Phone conversation with Mr. Stettinius).

Mr. Gaston: When you know the worst you can quit worrying. But on this other thing, I think it's just Stettinius preserving his stature before his men. "I am not really a boy; I am quite a fellow!"

Mr. Luxford: The board they had loaded was Export-Import, which was Pierson, and they had two or three other stooges of State. It would have been a three-to-one Board

against you. This will be three-to-one against State.

HM, Jr: That's right. That's what they told him. God, Ed, you have got Wallace, Ickes and Morgenthau stacked against you! That's what they told him. They will all work against you!

Mr. Luxford: And the committee they proposed had three of their stooges.

Mr. Gaston: The fact that he proposed it he's covering it up.

HM, Jr: I am beginning to feel better. I came over feeling kind of low. But the minute they saw him and they pointed that out to him -- but I swear, boys, I don't know what you would have done. It's a reasonable proposal.

Mr. Bell: I would have done it.

Mr. Luxford: The line between economic and financial policy is one we create for jurisdictional but when is it economic or when is it financial you can't define it.

HM, Jr: What would you have done?

Mr. Gaston: Grab it.

Mr. Luxford: With that committee I would grab it.

Mr. Du Bois: I assume that it was very clear that you only accepted it on that particular committee.

HM, Jr: The best part is coming. Then I said to the President, We want to formalize this -- anyway it was said to the President, We want to formalize this through an Executive Order. He said, O. K. Stettinius said, how will we do this? No, he said, Can you keep after the President on this so that he won't -- he said, I am not quite he quite understood what we wanted. He said, have you any way of keeping after the President to

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make sure he does this? Are you going away for the weekend with him? I said, No. he said, Why don't we draw up an Executive Order and then you and I walk over there so he doesn't give it to anybody. he said, Don't let Oscar Cox or Crowley see it. he said, Oscar Cox is all over the place. I love him. I am devoted to him, but when he worked for me he was all right.

Now he called me. He's appointed Acheson and Clayton to deal with anybody I designate to work up an Executive Order on this thing. See? Now, who would that normally go to, Dan?

Mr. Bell: O'Connell for an Executive Order.

Mr. Gaston: Yes. I don't see why these boys could not get a draft and take it up with Joe.

HM, Jr: And harry. Should I tell Acheson -- Mrs. Klotz, if I don't hear from Acheson by tomorrow, I will call him and tell him this will be handled by O'Connell and White. but it is going to be formalized. But to show you he was worried, the President did not recognize it, and he is worried furthermore on this whole Commerce thing. he's very unsure of himself that FEA will go under Commerce. he wants it.

Mr. Gaston: It's the logical thing.

HM, Jr: He's very worried. he's very unsure of his position with the President on it.

How did I do, boys?

Mr. Gaston: I think Stettinius did wonderfully by us!

Mr. Bell: Yes.

Mr. Gaston: Volunteering that committee!

Mr. Du Bois: I am still looking for the nigger in the wood pile!

Mr. Bell: He's thought this out himself.

HM, Jr: Do you know what I honestly think? I think he thought about it as he was sitting there.

Mrs. Klotz: That's right and that's why he feels that he gave in too quickly.

HM, Jr: I said, how can you swing your Department, and he said, I can swing it. He did not say he discussed it with anybody. He goes right back and sends for Clayton and Acheson.

Mrs. Klotz: Didn't he say when he came back he spoke to Clayton and Acheson?

HM, Jr: That's right. And then he said, right after that, he said after he talked to them "I gave in too easily".

Mr. Gaston: This is all very interesting. It means this. Stettinius is a little unsure. He's a little timid. He would like some outside support against his own Department. He would like some outside help and guidance. He's really looking to you.

Mr. Luxford: You know he had one meeting where he got his ears knocked off.

HM, Jr: You mean at lunch?

Mr. Luxford: He had a lunch with Ickes, Fortas and the top staff of Interior the day before you did and I understand he had a hot session.

HM, Jr: He was mad with Ickes for being all over the lot.

Mrs. Klotz: I think he wants awfully hard to be friendly.

HM, Jr: I beg of you people, please, please, to

keep this secret. I am being completely frank. If there are any leaks it will be a complete reflection on me.

On the Russian proposal, I tried to show it to him. He wanted to read it. Stettinius wouldn't let him read it. He tried to read the cable. He had not read it, which you people have not seen, which is super-duper confidential, which will be on exhibit in Mrs. Klotz' room. I have only read part of it myself.

And the President said, Well, after all, we are not having any finance people with us and I will just tell them we can't do anything until we get back to Washington. Well, Stettinius said, you are not going on something like that. So anyway, he said, I think it's very important that we hold this back and don't give them any promises of finance until we get what we want.

In my phone conversation I said, I respectfully differ with you and the President on this. I think the first thing is to let them know there is a carrot and let them have it. Stettinius said, Well, you don't know. I won't go all through it. I said, I think you are absolutely wrong, Ed.

The President does not want to do anything.

So at lunch I gave Leahy the works on this and I have told Leahy that both the President and Stettinius were wrong and that if they wanted to get the Russians to do something they should say it the first thing. Do it nice. Do it nice. I said, Don't drive such a hard bargain that when you come through it does not taste good.

Stettinius said that I don't know. I said, You are wrong; I have dealt with the Russians.



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to show you -- I only read half; I have to read it. All this stuff you boys just have to keep your mouth shut.

(Reading): "It was made very clear by Molotov that great importance was placed by the Soviet Government on a large postwar credit as a basis for the development of relations between the United States and the Soviet Union. An implication that development of our friendly relations would be dependent upon a generous credit was sensed by me from this statement."

This is Harriman. (Continued to read): "It appears probable that the prospects of a meeting were kept in mind in the timing of the delivery of this note. Therefore, it is interpreted by me to indicate that the Russians would expect a discussion on this subject if there is a meeting."

And on the face of that, Stettinius says we won't bring it up at the meeting.

Mr. Dubois: Did the President agree with him?

HM, Jr: Yes. He said he would tell them there was no one on his mission who could discuss it -- no financial people.

Mr. Du bois: It just amazes me how fundamental decisions can be made by the President on snap judgment.

HM, Jr: The only way to deal with the Russians is open and aboveboard.

Mrs. Klotz: Mr. Morgenthau went through this at Bretton Woods.

Mr. Luxford: Dean Acheson was the fellow who kept saying "haggle".

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HM, Jr: I decided before I went over not to give him the German thing. The President was very tired today and I am awfully glad I did not. We will put this in the Friday pouch. It will be much better. He will be at Hyde Park.

Then he turns to Stettinius and gave him my memo. "Oh, yes," Stettinius said, oh yes. I am fixing you a gold lettered book reference." The President said, "I will give you all my notes so you can index everything I am taking on the trip. You can have everything but my detective stories. So ...

Mr. Luxford: Sorry about Russia.

HM, Jr: That is not lost. You read my conversation with him. I shook it.

Mrs. Klotz: It wasn't only the words, but the tone you used and you said you were absolutely going to go up against him boldly.

Mr. Du Bois: Was a copy left with the President of the Russian note?

HM, Jr: He was going to read it if Stettinius would leave him alone, but Stettinius was trying to get three other things. He gave the whole thing to Stettinius. I said, If you are going to furnish him with that, give me my copy of the cable back. I have to work on Stettinius.

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January 10, 1945  
2:30 p.m.

HMJr: Hello.

Operator: Mr. Stettinius. Go ahead.

HMJr: Hello.

Secretary  
Stettinius: Sorry to have disturbed you at lunch.

HMJr: I just came up.

S: I've had my talk with Mr. Acheson and Mr. Clayton ....

HMJr: Yes.

S: .... and they'll be in touch with you.

HMJr: Good.

S: And then you can assign one of your men and they'll assign someone to get on with this thing.

HMJr: Good.

S: I think that -- I did not get into great detail as to our preliminary conversation. I've told them that this -- after discussion, that this was a matter that the President made up his mind as to how to do it.

HMJr: Yeah.

S: You understand?

HMJr: No, I don't think I quite do. You're talking about ....

S: Well, what I -- what I'm saying is that I think that your -- the private preliminary talk that you and I had ....

HMJr: Yes.

S: .... before we went in to the President ....

HMJr: Yes.

S: .... had just better be our talk, and that -- in other words, when I came forward -- when I came forward with this proposal of a compromise position ....

HMJr: Yes.

S: .... I think that that best be -- that you and I only know about -- you and I be the only ones to know about that.

HMJr: Oh. Now, I'm not -- now, wait -- after all, the one that we talked with the President -- it's based on that one that we want an Executive Order, don't we?

S: That's correct -- that's exactly it -- that's what we -- yeah -- the one the President approved and the one I suggested is the one we're going to write the Executive Order about.

HMJr: Now, what is the one you're suggesting that people do not know about?

S: What I'm suggesting is that the other -- that they don't know about -- is the fact that -- that I gave in to you too easily.

HMJr: You gave in to me?

S: Yeah.

HMJr: What the hell are you talking about?

S: Of course, I did.

HMJr: What are you talking about?

S: You had a -- you had a big plan -- remember?

HMJr: Yeah.

S: And I presented -- I presented a compromise position to you.

HMJr: Which I gave in to readily.

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S: (Laughs) That's correct, Henry.

HMJr: Isn't that right?

S: That's right.

HMJr: What are you trying to do, kid me?

S: Just trying to kid you.

HMJr: Oh.

S: I did. I was very successful.

HMJr: Yes, you were.

S: All right, old boy.

HMJr: Now, listen -- now, wait a minute. You've got to give me two minutes.

S: Go ahead.

HMJr: Because this I feel very, very strongly about and I didn't want to -- I didn't have a chance to get an argument -- but with all due respect to the President and you, I think you are a hundred percent wrong on the approach to Russia. And I think that the carrot should be put before their nose when you first get there and let them know that there's going to be financial aid for them while they're at war and financial aid for them when the war is over.

S: Henry, I don't think you'd feel that way if you knew all the -- if you had all the chips before you.

HMJr: Well, I -- I ....

S: I don't think you'd feel that way.

HMJr: Well, I -- I -- I've been through very difficult negotiations with the Russians myself.

S: Yeah.

HMJr: At Bretton Woods. Extremely difficult.

S: Yeah.

HMJr: You can ask Dean about it.

S: Yeah.

HMJr: And I'm just going to be so bold as to set myself up against the President and you.

S: Okay, boy.

HMJr: Only within the family.

S: Right. Well, listen, I'll give that some thought.

HMJr: And he didn't have a chance to read my memorandum and you didn't.

S: Nope.

HMJr: But this idea of what the President said, "Now, we'll -- there's nobody here from Finance -- nobody here from the Treasury -- I'll wait until I get back to Washington," as you say, "we'll hold back." I say, with all due respect, I disagree with both of you.

S: All right, Henry. Well, let me give that some study and we'll talk about it next week.

HMJr: All right.

S: All right, old boy.

HMJr: Thank you.

S: Thank you.

January 10, 1945  
2:59 p.m.

HMJr: Hello.

Operator: Secretary Stettinius.

HMJr: Ed.

Secretary  
Stettinius: Yes, sir.

HMJr: I've checked all over my office. We did not furnish Crowley with a copy of that Executive Order. Now ....

S: How did he know about it?

HMJr: Well, if you can find out how he got a copy, maybe then we'll know, also, how he got a copy of that Quebec stuff. I've checked all over and he was not furnished with a copy.

S: Uh huh. Well ....

HMJr: Now, he was furnished with a copy of everything that I did at Quebec by somebody.

S: Well, I'll ask him. I mean, I'll just boldly ask him.

HMJr: That's the simplest way.

S: And refer to the fact that he had told me about his knowledge of this Executive Order that you had up, and -- and just ask him how he knew about it.

HMJr: I wish you would because I'm terribly worried.

S: I will. I can't do it today.

HMJr: No, that's all right.

S: But I will, Henry, and I promise to do it.

HMJr: Well, does that mean you've got to wait a week?

S: Well, it's got to wait until I get back from New York Monday or Tuesday unless I phone him from New York because I've got to fly in five minutes.

HMJr: Well, do it as soon as you can.  
S: I will, Henry.  
HMJr: Because I'm terribly worried.  
S: All right, old boy.  
HMJr: Thank you.



January 10, 1945  
3:02 p.m.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Secretary  
Stettinius: Henry.

HMJr: Yes.

S: I have the answer.

HMJr: Yes.

S: Under date of January the 8th ....

HMJr: Yes.

S: .... the President sent a memorandum to the  
Secretary of State and the Honorable Leo Crowley  
"For recommendation. F.D.R."

HMJr: You mean he sent it to him?

S: Yes, sir.

HMJr: You know the ....

S: I have it before me.

HMJr: You know Lucky Strike says, "The best tunes of  
all come from Carnegie Hall."

S: (Laughs)

HMJr: So I ought to say the best leaks of all come  
from the White House.

S: Well, here she is.

HMJr: All right.

S: And the original -- the original of your stuff....

HMJr: Yes.

S: .... of -- you sent on January the 5th was sent  
to me for recommendation.

HMJr: Yes.

S: And the whole -- I have the whole thing right before me here now just as you sent it to the President.

HMJr: And I sent it to you myself.

S: You sent it to me yourself. The President sent it to me and simultaneously -- the time -- the President sent -- he sent it to Crowley, too.

HMJr: I see.

S: It must have been copied and sent to him.

HMJr: Well, I'll quit worrying.

S: Now, okay, boy.

HMJr: Well, that's fast work.

S: Thank you, sir.

HMJr: Thank you.

S: Righto.

January 10, 1945  
3:30 p.m.

CURRENCY

Present: Mr. Gaston  
Mr. Irey  
Mr. Friedman  
Mr. DuBois  
Mr. Haas  
Mr. Lindow  
Mr. Luxford  
Mr. Currie  
Mr. D. W. Bell  
Mrs. Klotz

(Mr. Friedman reading a memorandum to Secretary Morgenthau from Mr. O'Connell, dated January 10, 1945, entitled "Suggested Currency Program for United States")

"This memorandum projects for consideration the proposed technique by which the withdrawal from circulation of all U. S. currency of the denomination of \$50 and higher can be accomplished. Also it refers briefly to the legal basis for proceeding by executive action.

"1. The Suggested Technique.

"The President issues an Executive Order providing the following:

"(a) All transactions in U. S. Currency in the denomination of \$50 or higher are prohibited from the date of the issuance of the Order except as authorized by the Secretary of the Treasury.

"(b) Within 15 days of the date of the Order all persons within the United States may deposit such currency in designated depositories and receive at their option a bank credit or an equivalent amount of small denomination currency.

At the time of making the deposit all persons will be required to furnish their name, address, declaration of ownership or interest and satisfactory identification. In addition, they should be required to indicate their relationship to the currency deposited by furnishing a specified ration book stamp by signing their name and address to the currency deposited.

"(c) After 15 days have elapsed it shall be unlawful for any person subject to the jurisdiction of the United States to own or possess such currency, except as authorized by the Secretary of the Treasury. (The currency remains valid, i.e., for purposes of redemption, etc., but the continued possession subjects the holder to penalties.)"

H.M.Jr: What?

MR. FRIEDMAN: "...to penalties." (Reading)

"(d) All persons who have safety deposit boxes in banks within the United States will be given a full 60 days in which to remove currency from such boxes for the purpose of depositing such currency in accordance with this program upon satisfactory proof that the safety deposit box involved has not been opened since the date of the Order and that its opening was witnessed by an authorized person.

"(e) The interest of persons in the armed forces of the United States will be protected by the issuance of special regulations by the Secretary of the Treasury permitting such persons to exchange their holdings of such currency in accordance with arrangements made with the Army and Navy finance officers; and by permitting all such persons to file a short form declaration of their currency holdings in the United States.

"(f) With respect to all persons outside the United States other than those in the U. S. armed forces depositories will be established which will be authorized to accept against receipt deposits of such currency. Under existing regulations we already require the deposit in special accounts of all currency imported into the United States from abroad. The proposed program permits such deposits to be made in designated foreign depositories and places a limitation upon the period during which such deposits will be received.

"(g) The Secretary of the Treasury is authorized also to issue special regulations exempting from this Order such high denomination currency as may be held or used as collectors items.

"2. Legal Basis.

"The President has ample power under Section 5(b) of the Trading with the enemy Act to take the suggested measures both in this country and abroad.

"The legal basis for the program in this country is even stronger than that upon which we successfully defended the forced delivery of gold certificates and gold coins in 1933 and 1934. The gold program itself is ample precedent for the program we are now considering. In addition, the powers of the President have now been substantially increased by amendments of Section 5(b). The President's very broad powers under Section 5(b) to control foreign property leave no room for doubt as to the legality of requiring the deposit of currency in foreign countries.

"It is to be emphasized that the suggested domestic and foreign programs are so interrelated that one cannot be really effective without the other. If we require the delivery of currency in the United States alone, obviously foreign holders of United States currency could evade the United States controls by shipping such currency

here after our censorship has been lifted. Conversely, if we require only delivery of currency abroad, currency held within the United States could always be smuggled abroad and hoarded outside the United States."

That's it.

H.M.JR: All those in favor signify by saying "Aye."  
Motion carried. (Laughter)

Well Lauch, you have heard everybody else in the room. Since you are coming in fresh, do you want to give us a horseback or a barroom opinion?

MR. CURRIE: I take it, Mr. Secretary, that the real purpose of this would be in connection with law enforcement-- in connection with illegal transactions?

H.M.JR: Black market.

MR. CURRIE: It has nothing to do with inflation. That's not under consideration or drain on reserves of the banks.

H.M.JR: Not drain on reserves of the banks. I would say inflation, black market, evasion of taxes, and any aliens possessing money, or spies.

MR. BELL: You mean threat of inflation through spending because of hoarding? That is not inflation-- it is deflation. But the spending of that money--

MR. CURRIE: Couldn't people still take out large amounts of small demonination currency?

MR. GASTON: I don't personally think it would have any effect on the amount of money outstanding.

MR. CURRIE: I was thinking in connection with illegal transactions. Couldn't you still take out small bills instead of large ones?

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MR. GASTON: The idea is that you would catch them this time but you would get a lot of cases and--

MR. BELL: It would be more inconvenient for them.

MR. CURRIE: You just catch the ones who have not reported up to now, but not thereafter.

MR. GASTON: No, except it might throw a scare into them, and give leads that you could work on and prevent them from repeating the offense.

H.M.JR: I think--is that Gaston? Giving this the worst aspect?

MR. GASTON: Quite the contrary. I was arguing on the other side. That is not my position. I was not in favor of it. In fairness to the other position, I was trying to explain what that is.

H.M.JR: When you want to argue for me, I'll do the arguing, please. (Laughter) Do you mind letting me do the arguing?

MR. GASTON: I think you will do better.

H.M.JR: I think so, too. (Laughter) God!

MR. BELL: That's really funny.

H.M.JR: Herbert gets so excited. Where were we when Herbert was trying to put in a cross for me?

MR. CURRIE: I was trying to think it through from the law enforcement point of view. It's going to cause consternation--lead to the destruction of an enormous amount of money. In many cases it would be better to hide money indefinitely rather than risk the penalties of having to account for how they got the money. It's going to bring enormous outcries--screams from inspired sources. You will have to be prepared to take terrific chances,

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but on the other hand, as Herbert says, you will catch a lot of unreported income and mainly I suppose it would be an income tax collection device, wouldn't it?

H.M.JR: We couldn't know. We just don't know.

MR. DuBOIS: It is important in the foreign field.

MR. CURRIE: The question of Germans, for example, having dollar bills, and there is a lot of evidence that the German Underground have been using dollar bills--I think myself it would be justifiable on the basis of simply the foreign field.

MR. LUXFORD: Figures show that from a half billion to almost two billion was held in Europe before the war, and a very substantial part of that was in denominations of over fifty dollars. We have had all kinds of reports as to the Germans attempting to get their hands on this currency as much as they could. Once you get into the post-war period--if you are thinking in terms of an effective German Underground--there is no medium like the United States dollar bill to finance it.

MR. CURRIE: I know. That is also true in the case of the Japanese. They have been acquiring some.

MR. LUXFORD: They caught some in Shanghai.

MR. CURRIE: They also smuggled some, I know. My horseback opinion for what it's worth, and I don't think it's a lot, would be to react favorably to it, but I would like to study it more--all the various angles, before I finally commit myself.

MR. GASTON: I convinced you, huh?

MR. CURRIE: You convinced me.

MR. DuBOIS: Now, let me take your side.



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MR. GASTON: If you do it effectively, Joe. (Laughter)

MR. LUXFORD: In all seriousness, we were discussing it at lunch--some of the problems coming up incident to this program--and there are some nasty ones--if you have a minute I would like to discuss them.

We were discussing means of making this program effective, as Joe Friedman indicated to you; we were talking about requiring persons delivering notes to banks to give their names and addresses. We were also talking about requiring them to turn over a ration coupon so they can't have twenty people delivering notes, so they won't come in large bunches, and that really is an extremely difficult problem.

How are you going to make a man say he has ten thousand dollars or one hundred thousand dollars in black market bills, and deliver that in a way that enforcement officers are going to be able to detect them. We said make him deliver ration coupons, to which Mr. Gaston very quickly answered, "Yes, and everyone in his gang will take in his share!" You will not have in most cases a conspicuous bulk by one man delivering bills, if he can invent any other way to do it.

Now, we have suggested requiring the man also to write his name and address on the bill, and since a lot of people might be willing to deliver the bills, if that were the end of it, if they were going to go down in writing on it, they might refrain from it. It's an exceedingly difficult problem and requires the highest degree of intelligence on the part of enforcement officers to make anything out of it.

MR. DuBOIS: Insofar as catching people today--

MR. LUXFORD: And you have to keep in mind, too, that this program, at least to some extent, as to some substantial statement, must be sold to catch tax violaters and the black marketeers. The foreign thing is

pretty good, but if you have to deliver results, you have to catch some of these men, or they are going to say it was a fiasco.

H.M.JR: Of course, there is this other school that nobody here is representing, on what Pehle said. He was in favor of giving two weeks' grace and let everybody turn their money in, no questions asked, in order to get the money in. To say first--

MR. GASTON: I couldn't see what the object was.

MR. CURRIE: I don't see what you would accomplish by that.

H.M.JR: It's a school of thought he advanced and I am advancing it in his absence.

MR. IREY: We have a volunteer disclosure policy in the Bureau, and if it could be known generally that persons who want to disclose income would not be prosecuted about the same time this order goes out, that might induce a lot of filing of returns and payment of taxes.

H.M.JR: I want to do it before the fifteenth in order to catch the 1944 business. Haas is "agin" it.

MR. LINDOW: I am afraid it is going to have repercussions throughout economy and the bond program. I think this OPA ration stamp job has done a lot of harm, and if this comes on top of it, people may say, "The next thing is going to be the freezing of bonds." I don't think there would be much gain in it. When England cut out large denominations there was a temporary drop in the outflow of currency, and then it proceeded on as before, you could hardly tell the difference between the year before and the year after it happened, so there isn't going to be any net final effect on the outflow of currency, I don't believe; and while I don't know anything about this law enforcement aspect, whether you can catch anybody, I would be all for that part of it if it could be worked out. I suspect there will be an

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awful lot of finagling in that aspect.

H.M.JR: Well--I have an in between, middle-of-the-road suggestion. I mean I am throwing these things out, getting very little encouragement from anybody. Supposing we said after X-Day we just won't issue anything above a twenty dollar bill, and it would only be a question of time before these things will come straight. I mean, just say that as of tomorrow we will stop issuing anything above a twenty dollar bill? A twenty dollar bill would be the highest denomination. Just say that.

MR. DuBOIS: That would be much better.

MR. BELL: That doesn't get you anything except you quit issuing higher denominations.

H.M.JR: It gets us this, they become scarce and can't be used in the black market, and are hard to get. You just stop. I mean, this great rise in hundred and five hundred and thousand dollar bills stops.

MR. BELL: It's all in the hundreds. The biggest increase--

H.M.JR: We'll stop issuing it.

MR. DuBOIS: Better than that, it seems to me, if you are going to take that position, is what John Pehle suggested; at least it accomplishes a real function in the foreign field which I think is a very important aspect of this. Under his program at least you would solve that problem, and at the same time you wouldn't have these serious repercussions. What you say goes even further than what John Pehle suggested in the way of giving people long periods of time as grace periods. Yours is an indefinite grace period in a sense, and I don't quite see what you would accomplish by that. At least what Pehle said accomplishes a purpose in the foreign field. In my own feelings, you can accomplish both, and the OPA thing I don't think is a good analogy at all.

Innocent people were hurt. Now here that isn't involved at all. In the first place even those who aren't innocent can immediately get other currency for what they turn in. Of course they kicked on OPA and they had a right to. This doesn't involve anything--

MR. LINDOW: I agree that the analogy is not close, but bear in mind we have had a major problem in War Bond programs on the public's psychology of bonds being frozen. The Likert Survey showed an increase in people being worried about the future of bonds. The War Bond people, judging from actual comment I have received from them, have already run into some increase in public apathy because of the OPA deal.

MR. FRIEDMAN: That was a dirty trick and all the more reason to worry about what the Government might do in some other field. War Bonds--it seems probable that there would be similar repercussions here, perhaps more widely spread. Therefore, I would say I doubt the advantages of this deal would outweigh the possible disadvantages.

MR. DuBOIS: The thing that's difficult for me to see is why there should be repercussions if it is done the right way and presented to the public the right way.

H.M.JR: Listen, I called in all the gold backs.

MR. GASTON: Gold certificates.

MR. BELL: You had directions from Congress to do that, both gold and gold certificates, and you had a President that had just been elected by a great landslide. The country expected him to do something and had all the confidence in the world that he would do it.

The situation today is entirely different and gold certificates are not comparable to currency at the present time.

-12-

H.M.JR: I am so brash as to say that if I decide to do it and took the time, I am not going to worry about the public. I am confident the public will be with me. Sure, some people will holler. The people who are going to holler aren't going to get support from newspapers.

MR. LUXFORD: The public will be with you the day you can point to somebody who has turned in a hoard.

MR. GASTON: That isn't the danger--danger of criticism. That isn't the danger, that you may incur the perils of this thing and be praised by everybody. The danger is people running away from currency.

H.M.JR: My dear Herbert, you say they are going to run away from currency. What are they going to do?

MR. GASTON: Spend it for anything they can buy with it--pay double for it. They would buy anything to get currency out of their hands.

MR. BELL: Fur coats and diamonds and everything else.

H.M.JR: If they go in with a lot of hundred dollar bills, aren't the department stores going to cooperate with us?

MR. GASTON: They are going to sell anything they want to buy--

H.M.JR: And take one hundred dollar bills?

MR. GASTON: I don't see that that has anything to do with it.

H.M.JR: What are they going to use for it?

MR. GASTON: Any kind of currency.

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H.M.JR: Wait a minute. A man has ten one hundred dollar bills and we announce this thing. He has his choice of turning them in or going to a department store and buying a fur coat. The department store isn't going to take ten one hundred dollar bills.

MR. GASTON: Of course he will go to the bank and change the money, but he is scared of the value of his money so he is going to start spending it with ten or five dollar bills, whatever it is. That's the danger.

MR. DuBOIS: Why is he scared?

H.M.JR: That's what I want to find out. I don't know.

MR. GASTON: he is scared because we are starting to monkey with currency, and he doesn't know what it is going to lead to. First we are calling in big bills--true, we are giving small bills, but we are up to something. He has always had complete faith in currency, that's always good, but now there is a question in his mind. People make all sorts of foolish interpretations. There is a question in his mind about what they are up to. It may mean repudiation, and he gets excited, and he goes and starts to spend that money, get it into physical things.

H.M.JR: I maintain I don't know, and I don't know.

MR. BELL: That's just a basket we are all in. We don't know. The only thing we are trying to do is say that in taking this action, you are taking some risk along with it.

H.M.JR: It all gets back now to that, and I wanted this man to send some people out--two different sets--one to find out, to talk to a few people, ask them a few questions, see how they would react; and the other group to find out in the underworld what they are doing with money.

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MR. GASTON: As to the latter question, we can give you a pretty good report now. They know pretty well what they are doing. Dwight Avis got a lot of information in connection with black markets. He can write a report. Irey is working on it right now.

To start questioning people in the underworld would have to be done by an agency. You would start a rumor--you might as well publish the fact that you are going to call in big bills.

H.M.JR: Suppose you start with one agent?

MR. IREY: Avis has probably more information in his files right now than we can gather together in days and days.

H.M.JR: As to how they would react if we took the one hundred dollar bills?

MR. IREY: It is just an impression we would get.

H.M.JR: How could it possibly be in his files, Elmer?

MR. IREY: When the banks started to make records of the numbers, they were supposed to do it on bills of five hundred and one thousand dollar denominations. As soon as it got quickly noised around, in many instances they brought in five hundred dollar bills and one thousand dollar bills and started dealing in twenty dollar bills in their black market manipulations.

H.M.JR: You think it would get around?

MR. IREY: I am sure it would get around. There is more stuff that gets around in the underworld faster than any other line of activity--I think Walter Winchell would be on the radio two days after we started with it--

H.M.JR: What are his connections?

MR. IREY: His connections with the underworld are vast.

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H.M.JR: Well, I'll tell you what I will do. We can have Avis give me--

MR. IREY: He is going to have something for me tomorrow morning.

H.M.JR: What time?

MR. IREY: He is working on it right now.

H.M.JR: Will you bring him over here? IreY, Gaston and Avis at eleven tomorrow, huh?

MR. IREY: Fine.

MR. GASTON: He has a lot of good stories.

H.M.JR: A-v-i-s?

MR. IREY: Yes.

MR. GASTON: They are using currency by the basket-full.

H.M.JR: Well, I am still of the opinion I would like to do it. I still think if I don't do it--no one has talked about it, but if I don't do it, the criticism is going to be far greater. I think the criticism of me is going to be far greater if I don't do it than if I do.

MR. GASTON: Well, if you were to do it and start a panic--a money panic--there is no question about which way the bulk of the criticism would go. Nobody knows that that will occur.

MR. BELL: That's right.

MR. GASTON: It is one of those things that is awfully delicate to monkey with.



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MR. LUXFORD: Do you think it might occur?

MR. GASTON: I think there is a serious chance it might occur, in view of how they have reacted on some of these bond rumors.

MR. CURRIE: You will have to accomplish this in this two week interval of making everybody receiving a large denomination bill to give information about from whom he received it, and so forth. Otherwise, everybody would get rid of their money.

MR. GASTON: The order would be issued, and it is nontransferable from the time he receives the order. The only thing he can do with it is to take it to a bank.

MR. CURRIE: The other thing bothering me is the foreign thing. How do you discriminate between the people who have come to this money legitimately and can't turn it in?

MR. FRIEDMAN: You do it the same way we do it in this country. Currency is sent in here voluntarily by mail and put in the Federal Reserve Bank, and they sit on it until proved contrary. In this case we extend it. They deposit the money against a receipt. It comes over here and we examine it, and the burden of proof would be on them.

MR. CURRIE: I see. It doesn't mean you would outlay any of this money?

MR. FRIEDMAN: No, none of this money outlaid.

MR. HAAS: Some of these stories I think can be counteracted greatly by an increase in currency. I think that can be done irrespective of what decision you make on this. There is a great deal of misinformation out. That's why I had some charts made out.

-17-

H.M.JR: The easiest thing is to sit back and do nothing, but that's not me. Well, let me meet with Avis. Let's meet with him tomorrow. Do you care to come in Bell?

MR. BELL: Yes. Eleven.

MR. GASTON: How about Henry Anderson? He doesn't know much about it.

MR. IREY: He couldn't add a whole lot to it.

H.M.JR: And I wish if you have a few minutes, if you and Mr. Currie had a few minutes, bring in what we have on Eccles.

MR. BELL: I will right away if you care to.

H.M.JR: I am down, but I am not licked. You can take it on tomorrow. You can wait now in your investigation until eleven tomorrow.

MR. IREY: We will be getting the memo up.

H.M.JR: O.K.

January 10, 1945

Secretary Morgenthau

Mr. O'Connell

Re: Suggested Currency Program for  
- United States.

This memorandum projects for consideration the proposed technique by which the withdrawal from circulation of all U. S. currency of the denomination of \$50 and higher can be accomplished. Also it refers briefly to the legal basis for proceeding by executive action.

1. The Suggested Technique.

The President issues an Executive Order providing the following:

- (a) All transactions in U. S. currency in the denomination of \$50 or higher are prohibited from the date of the issuance of the Order except as authorized by the Secretary of the Treasury.
- (b) Within 15 days of the date of the Order all persons within the United States may deposit such currency in designated depositories and receive at their option a bank credit or an equivalent amount of small denomination currency.

At the time of making the deposit all persons will be required to furnish their name, address, declaration of ownership or interest and satisfactory identification. In addition, they should be required to indicate their relationship to the currency deposited by furnishing a specified ration book stamp or by signing their name and address to the currency deposited.

- (c) After 15 days have elapsed it shall be unlawful for any person subject to the jurisdiction of the United States to own or possess such currency, except as authorized by the Secretary of the Treasury. (The currency remains valid, i.e., for purposes of redemption, etc., but the continued possession subjects the holder to penalties.)
- (d) All persons who have safety deposit boxes in banks within the United States will be given a full 60 days in which to remove currency from such boxes for the purpose of depositing such currency in accordance with this program upon satisfactory proof that the safety deposit box involved has not been opened since the date of the Order and that its opening was witnessed by an authorized person.
- (e) The interest of persons in the armed forces of the United States will be protected by the issuance of special regulations by the Secretary of the Treasury permitting such persons to exchange their holdings of such currency in accordance with arrangements made with the Army and Navy finance officers; and by permitting all such persons to file a short form declaration of their currency holdings in the United States.
- (f) With respect to all persons outside the United States other than those in the U. S. armed forces depositories will be established which will be authorized to accept against receipt deposits of such currency. Under existing regulations we already require the deposit in special accounts of all currency imported into the United States from abroad. The proposed program permits such deposits to be made in designated foreign depositories and places a limitation upon the period during which such deposits will be received.
- (g) The Secretary of the Treasury is authorized also to issue special regulations exempting from this Order such high denomination currency as may be held or used as collectors items.

## 2. Legal Basis.

The President has ample power under Section 5(b) of the Trading with the enemy Act to take the suggested measures both in this country and abroad.

The legal basis for the program in this country is even stronger than that upon which we successfully defended the forced delivery of gold certificates and gold coins in 1933 and 1934. The gold program itself is ample precedent for the program we are now considering. In addition, the powers of the President have now been substantially increased by amendments of Section 5(b). The President's very broad powers under Section 5(b) to control foreign property leave no room for doubt as to the legality of requiring the deposit of currency in foreign countries.

It is to be emphasized that the suggested domestic and foreign programs are so interrelated that one cannot be really effective without the other. If we require the delivery of currency in the United States alone, obviously foreign holders of United States currency could evade the United States controls by shipping such currency here after our censorship has been lifted. Conversely, if we require only delivery of currency abroad, currency held within the United States could always be smuggled abroad and hoarded outside the United States.

Attached is a draft of an executive order which indicates in some detail the technique to be employed.

Attachment.

January 10, 1945 341  
4:52 p.m.

HMJr: Hello.

Operator: Dean Acheson, State Department, calling you.

HMJr: Yes.

Operator: Go ahead.

HMJr: Hello.

Dean  
Acheson: Henry.

HMJr: The name is Henry.

A: (Laughs) Dean Acheson. I have finally got Ed's signature on this paper about the legislative program of the Cabinet Committee just as he was rushing for the train.

HMJr: Yes.

A: And I will send it right over to you....

HMJr: Right.

A: .... with a note asking, if you approve it, if you would sign it and get it to the President.

HMJr: Right.

A: You can do that much quicker and better than I can. If there's anything about it you don't like....

HMJr: Flatterer.

A: No, I shouldn't -- there's nothing flattering about that. I just know that.

HMJr: Flatterer.

A: No, I -- I -- well, anyway, I'll send it over to you.

HMJr: You send it over.

A: Now, we've also gotten a rough draft here of -- of a message on the whole economic business, playing up the bank and fund ....

HMJr: Yeah.

A: May I send you two copies of that?

HMJr: If you please.

A: And they haven't been approved by anyone here. They were just gotten up by someone for me.

HMJr: Yes.

A: And I think it's a little -- a little on the pallid side but perhaps somebody can put more "spiff" into it.

HMJr: Right. Anything else?

A: No, those two things. Ed spoke to me about your talk this morning.

HMJr: Yes.

A: I'm going to get together with whomever he wants me to work with and try to ....

HMJr: Well ....

A: .... get up an order. One thing that wasn't clear to me about this is that I should suppose -- have supposed that the President would want at the same time and would have done whatever he's going to do about F.E.A. ....

HMJr: Well, what I think was this: the two things -- I think this is correct -- will not be coterminous -- is that correct?

A: Yes. Yeah.

HMJr: What?

A: Yes.

HMJr: I think the thought was that we get him, so to speak, to approve this and put it in a pigeon-hole ....

A: I see.

HMJr: .... pending the other.

A: Oh, I see. Well, I didn't understand that.

HMJr: No.

A: Because I thought it would be very -- puzzle everybody if this came out first, and they'd say, "Well, what ...."

HMJr: No, no.

A: "... happened to the other thing?"

HMJr: No, no. This would be approved and pigeon-holed pending the other.

A: Yes.

HMJr: And I think that's the idea. Now, the people that will handle it at my end will be White and Joe O'Connell.

A: All right.

HMJr: Those two.

A: Uh huh.

HMJr: If that's agreeable.

A: Fine.

HMJr: Anything else?

A: No, sir, I think that's ....

HMJr: I'm sorry we couldn't come Friday night but we're going to Halifax'.

A: Alice told me that you were. I'm sorry but we'll work on it again.

HMJr: If you would.

A: Fine, Henry.

HMJr: Thank you.

A: Good bye.



344

TO:

Miss Chauncey

Am. Jr. saw  
Miss Dession, Mr.  
Murphy, and  
Shaeffer. Jan 11, '45  
at 9<sup>30</sup> am

*[Handwritten initials]*

From: Mr. FitzGerald

TREASURY DEPARTMENT

345

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau  
FROM Mr. Shaeffer *ep*

January 10, 1945

FORTUNE magazine is doing an article on the various persons "close" to President Roosevelt. Miss Hession is doing the research, while a fellow named Murphy is writing the piece.

Already interviewed, or to be interviewed, are Messrs. Early, Leahy, Douglas, Hopkins, Daniels, Stettinius, Wallace, Rosenman, Byrnes, and Ann Boettiger.

As the story would not be complete without yourself, these writers would like a thirty-minute conference at your convenience. Their only engagement for the balance of this week is at 3:30 PM today.

346

Leading copy of the Secretary's part  
in the film "These Are Your bonds".

587  
2-2-45  
- 1/2 -

SECRETARY MORGENTHAU: (opening)

I think all of us have a better idea now what War Bonds mean to the winning of the war and to our security in the future. But there are a few other things that you should know about your War Bonds.

The War Bonds you buy -- E Bonds -- were especially designed for your protection. They are an obligation of the Government and are guaranteed by the full faith and credit of the Government in the same way as the dollar bill in your pocket. They are like cash, but with additional privileges.

(Here Commentator takes over, with animation.)

SECRETARY MORGENTHAU: (Closing)

As Secretary of the Treasury, I pledge you that the Government will stand back of this bond and fulfill every provision of it. It will be paid precisely and exactly according to the terms under which it was issued.

You have to keep your bonds to receive the maximum return, for they are designed to favor those who hold them the longest.

Plan to hold them to maturity!

Animation - Scored by Commentator.

COMMENTATOR: Privileges -

Here are some of them:

1. Each E Bond is owned individually in your name. It's yours! It's worthless to anyone else.

If it's lost or stolen you can get another one.

2. You can name someone in the family to own it with you -- a co-owner -- which means that you both own the bond like a joint savings account.

3. You can name someone as beneficiary the way you do on your life insurance policy. This means that if you die, whoever you name as beneficiary will get the money.

4. After sixty days, the E Bond is always redeemable in cash. And after one year it is worth more than you put into it. The longer you

hold the bond, the more it increases in value.

For example: When you pay \$75 for a \$100 bond,  
this is what happens.

The 2nd year it's worth \$76.50

The 4th year it's worth \$80.00

The 6th year it's worth \$84.00

The 8th year it's worth \$92.00

At the end of 10 years it's worth \$100.00.

(End of animation with commentator.)

9130-351

THE WHITE HOUSE  
WASHINGTON

January 10, 1945.

MEMORANDUM FOR:

THE SECRETARY OF THE TREASURY.

The President looked through the samples of the Treasury Department citations and returned them to me without comment. I, therefore, return them to you with my thanks for the full and complete information you have given the President.



WILSON BROWN,  
Vice Admiral, U.S.N.,  
Naval Aide to the President.



JAN 8 1945

My dear Mr. President:

I have a memorandum from Vice Admiral Wilson Brown indicating that you desire information on all types of citations and awards issued by the Treasury Department to civilians, individuals and groups, who have rendered outstanding service.

No significant use has been made of citations or awards by this Department except in connection with our War Bond program, and here we have found such recognition to be an important factor in stimulating the efforts of the millions of volunteer workers throughout the country. As you know, the success of the bond drives depends finally upon the enthusiastic cooperation of these workers, both as individuals and groups. It has been my feeling from the inauguration of the program that the Treasury's appreciation should be conveyed to persons who have achieved outstanding results or contributed in an unusual measure, whether they are movie stars or school children, and for this reason various types of appropriate certificates and citations have been adopted. I am convinced that this method of recognition has done much toward sustaining the interest of our volunteers, and that any curtailment would affect future drives adversely.

At the outbreak of the war many patriotic citizens made donations of cash and property to the Government of the United States, and in response to these, I had prepared a citation covering such donations.

Another recognition document which might be mentioned would be the type of letter which I have been signing and giving to retiring Treasury employees who have had an outstanding career in the Federal service. While not specifically requested in Admiral Brown's memorandum, you might

be interested to know that in addition to the above, the Department has in contemplation an expanded program of meritorious within-grade promotions, which are provided for by law, and also the inauguration of a system of cash awards for outstanding employee suggestions which would require appropriate legislation.

A portfolio containing the several types of citations in use by this Department is being submitted with this letter.

Faithfully yours,

(Signed) Henry Mergenthaler

The President

The White House

THE WHITE HOUSE  
WASHINGTON

December 20, 1944.


M E M O R A N D U M

To: The Secretary of the Treasury.

Subject: Awards to Civilians.

1. The Secretary of the Navy has asked the President to authorize the Secretary of the Navy to issue awards to civilian employees of the Navy for distinguished service and states that the Treasury and War Departments have similar awards for their employees.

2. The President views with concern any tendency of any of the Executive departments to issue commendation to civilians for war work except those that have been specifically approved by him. He, therefore, requests to be informed what awards to civilians are issued by the Treasury Department and also to be informed what civilians are eligible for such awards. I will be very much obliged if you will send the desired information to me in order that I may resubmit the Treasury, War and Navy practices to the President.

  
WILSON BROWN,  
Vice Admiral, U.S.N.,  
Naval Aide to the President.

Copy to:  
SecNav



TREASURY DEPARTMENT

WASHINGTON 25



January 10, 1945

To: Secretary Morgenthau

From: J. W. Pehle

For your information:

The all-Negro concern which I mentioned to you is the American Enterprise Associates, Inc., a Cleveland concern organized by a group of Negroes, employing approximately 100 Negro workers, and engaged in the wholesale production of garments. It is said to be the only textile firm in the United States owned, operated and controlled by Negroes. This concern was first brought to the Procurement Division's attention by Mr. A. G. Thurman, Chief Counsel of the Senate Small Business Committee.

We have awarded this company two Lend Lease contracts in the amount of \$5,000 and \$86,000. The \$5,000 contract was performed satisfactorily.

Under the \$86,000 contract, the company was in need of funds and requested an advance payment of approximately \$25,600, which was made. However, the company has been unable to obtain the necessary material to make the shirts required under this contract and there have been no deliveries.

- 2 -

I find that the company is in serious financial difficulties, not only with the Treasury, but with private creditors, as well. As a matter of fact, a telegram which I sent to them last Saturday was returned since the premises have been padlocked by court order filed by the landlord who has not been paid his rent.

Nevertheless, we are cooperating with the Smaller War Plants Corporation to see if it is willing to make this concern a loan to tide them over their difficulties.

A handwritten signature in black ink, appearing to be 'J. B. Zuker', written in a cursive style.

# CONFIDENTIAL

JAN 10 1945

Dear Ed:

The other day when we were having lunch at the Blair House you mentioned to me that the French lend-lease document which was before the President at Quebec last September is now dead.

I would appreciate your confirmation of my understanding in this matter, so that I will be in a better position to review the pending proposals for aid to France.

Sincerely,

(Signed) Henry

Secretary of the Treasury

The Honorable

The Secretary of State

✓  
Jan. 10, 1945

Secretary Morgenthau

Mr. Lynch *ini FS*

Yesterday in an address to the House on the subject of the unconditional surrender policy, which she described as "an anachronism", Miss Jessie Sumner of Illinois made the following statement:

"Recently we saw German resistance stiffen because of the revelation of the Morgenthau plan. But the American people have not been told that the reason was because it seemed to confirm the devilish Nazi dogma which says that unconditional surrender means the shattering of Germany into Communistic revolutionary chaos with middle-class people being killed or carried off into Russian slavery. Germans are seeing neighboring countries liberated only to fall into the hands of Stalin through internal revolution. They know that Stalin's army killed or carried into slavery worse than death, great numbers of anti-Nazi Poles and Lithuanians. They know that they, the German people themselves - the hated enemy - need expect a fate no better and probably worse.

"If Mr. Churchill and President Roosevelt intend to impose upon the German people a fate less harsh than chaos, death, and slavery worse than death, they owe it to our gallant fighting men to spare our servicemen needless suffering by saying so plainly, unequivocally, and reliably. Can they? Unfortunately, President Roosevelt and Mr. Churchill, to say nothing of Stalin, have not kept to the high moral level of trustworthiness as did Woodrow Wilson. Their

evasive dealings with Polish and Yugoslavian agreements and the Atlantic Charter have greatly discredited them. Therefore, the task is perhaps the most difficult, though, perhaps, also the most important they have yet undertaken." (Congressional Record, January 9, 1945, page 151)

The above quotation gives a summary of Miss Sumner's diatribe against the policy of unconditional surrender.

The Record also includes in the Appendix a speech on foreign policy given by Representative Robert Hale, at Portland, Maine, on January 2, 1945, in which the following statement appears:

"In any case an essential of any peace terms would seem to be to make possible some sort of an economy under which the German people can live. There will be no German economy left after the war. It would obviously be more humane to send 80,000,000 men, women, and children to the firing squad or the Vernichtungslager than to have them starve to death over the years. The suggestion of Secretary Morgenthau to destroy all German industry would have left no assurance of any economic future for Germany. \* \* \*"  
(Page A82)





DEPARTMENT OF STATE  
WASHINGTON

In reply refer to  
FMA

JAN 13 1946

(Book 805, page 1)

Dear Henry:

Thank you for your letter of December 23 regarding the Italian Technical Mission. I think the line of action which you propose to take is entirely in harmony with our views. We have some suggestions as to the language of the statement you plan to give the Mission. I enclose a suggested redraft of the statement which has already been made available informally to your Department. Before handing the statement to the Italians, I believe we should show it to the British for their information and comments, but not for clearance.

The Department is preparing a statement on other points which have been discussed with the Mission during its visit. It occurs to me that at the conclusion of the discussions, we might incorporate the text of your statement, with any elaboration which you may consider desirable in the light of further discussions, in a single text. I have instructed the officers of the Department concerned to consult with your Department regarding the text of a press release to be issued when the Mission leaves the United States.

Sincerely yours,

Enclosure:

Redraft of statement.

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



DRAFT

The U.S. Government has given sympathetic consideration to the explanations and proposals of the Italian Financial Mission and expresses its desire to take such steps as may be appropriate and feasible to restore to Italy responsibility and authority for its financial administration at the earliest possible moment.

1. The U.S. Government views with sympathy the desire of the Italian Government to have transferred to it the issuing authority for Allied military lire. The U.S. Government is discussing the matter with the United Kingdom Government with a view to reaching an agreed position on the terms and conditions under which such a transfer might take place. It is suggested that the Italian Government also communicate its views on this subject to the United Kingdom Government.

2. The United States Government is prepared to enter into an agreement with the Italian Government to formalize the existing financial arrangements between the two Governments arising out of the participation of American forces in military operations in Italy.

3. The United States Government will take steps directed to provide the Italian Government with all information available concerning transactions which  
affect

affect the financial relations between the two governments.

4. The United States Government will assist the Italian Government in its efforts to mobilize to the maximum extent the foreign exchange assets of Italy with the objective of permitting Italy to assume the greatest amount of responsibility for the rehabilitation and reconstruction of Italy.

It is understood that the United States Government must act in concert with the Government of the United Kingdom and the other interested United Nations in carrying out these steps and that the interests of these other governments must be fully considered.

January 10, 1945

My dear Admiral Leahy:

I am sending you herewith a very confidential document pertaining to Russia, which I gave to the President today.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Admiral William D. Leahy,  
Chief of Staff to the  
Commander-in-Chief of the U.S. Army and Navy,  
The White House,  
Washington, D.C.

January 10, 1945.

MEMORANDUM FOR THE PRESIDENT

A \$10 Billion Reconstruction Credit for the U. S. S. R.

I suggest consideration be given to a financial arrangement with the U.S.S.R. to provide her with \$10 billion credits for the purchase of reconstruction goods in the U.S., with provision for repayment to us chiefly in strategic raw materials in short supply in the U.S.

1. The interest rate could be 2%, amortized over a period of 35 years. A schedule of repayments is attached.
2. The Russians have more than adequate means to assure full repayment. There are three principal sources from which she can obtain the necessary amount of dollars.
  - (a) Selling to us strategic raw materials which are in short supply in the U.S. because of our depleted natural resources. (See attached memorandum)
  - (b) Russia will be able to develop substantial dollar assets from tourist trade, exports of non-strategic items to the U.S., and from a favorable balance of trade with the rest of the world.
  - (c) Russia has a stock of gold estimated at \$2 billion now and is reported to be able to produce from \$150 to \$250 million per year. These gold resources can be used to pay her obligations to the United States to the extent that her other dollar sources are not adequate.
3. An important feature of this proposal is that we will be conserving our depleted natural resources by drawing on Russia's huge reserves for current needs of industrial raw materials in short supply here. We would be able to obtain a provision in the financial agreement whereby we could call upon Russia for whatever raw materials we need without giving a commitment on our part to buy.
4. This credit to Russia would be a major step in your program to provide 60 million jobs in the post-war period.

Conservation of U.S. Natural Resources and Imports from the U.S.S.R.

The U.S. has had to draw heavily on domestic raw material reserves during the war to meet peak production requirements. The following table prepared from some recent confidential reports for the Under Secretary of Interior discloses the depleted natural resources of the United States, and emphasizes the need for conservation measures.

Reserve Domestic Supplies

	<u>On Basis of our 1939 Domestic Consumption</u>	<u>On Basis of our Current Consumption 1943</u>
Petroleum	16 years supply	13 years supply
Manganese	9 " "	3 " "
Tungsten	23 " "	3 " "
Zinc	17 " "	8 " "
Lead	7 " "	6 " "
Chrome	No record	Less than 1 year's supply
Mercury	3 years supply	

We could safeguard and conserve our strategic material reserves in post-war years which are now at minimum levels, by importing from abroad to meet ordinary annual production requirements. The U.S.S.R. has tremendous reserves of many materials which the U.S. will urgently require after the war. A reconstruction loan to the U.S.S.R. will give us the means whereby we can conserve our own natural resources for the next two generations, by utilizing Russian reserves. The U.S.S.R. could provide substantial quantities of strategic raw materials for an annual basis within five years after the close of the war as indicated in the following table.

Metals and metallic ores (Manganese, Tungsten, graphite, mica, chrome, mercury, iron ore, platinum, copper)	\$80,000,000
Timber and wood products	45,000,000
Petroleum	50,000,000
Oils and oilcake	10,000,000
Other industrial raw materials	<u>15,000,000</u>
Total	\$200,000,000

FILE COPY

Repayment Schedule for Advance of \$10 Billion  
 Credit for 35 Years at 2 Percent <sup>1/</sup>

(Millions of Dollars)

<u>Year</u>	<u>Scheduled Expenditure</u>	<u>Annual Interest</u>	<u>Annual Scheduled Repayment</u>	<u>Unpaid Balance At End of Year</u>
1	1,000	20	0	1,020
2	2,500	70	0	3,590
3	3,000	132	0	6,722
4	2,500	184	100	9,307
5	1,000	206	150	10,513
6		210	200	10,523
7		210	250	10,484
8		210	300	10,393
9		208	350	10,251
10		205	400	10,056
11		201	400	9,857
12		197	400	9,655
13		193	400	9,448
14		189	400	9,237
15		185	500	8,922
16		178	500	8,601
17		172	500	8,273
18		165	500	7,938
19		159	500	7,597
20		152	500	7,249
21		145	500	6,894
22		138	500	6,532
23		131	500	6,162
24		123	500	5,785
25		116	600	5,301
26		108	600	4,807
27		96	600	4,308
28		86	600	3,789
29		76	600	3,265
30		65	600	2,730
31		55	600	2,185
32		44	600	1,629
33		33	600	1,061
34		21	600	483
35		10	492	
		<u>4,691</u>	<u>14,842</u>	

<sup>1/</sup> This schedule is a basis for negotiation

FILE COPY

Regraded Unclassified

JAN 10 1945

My dear Mr. President:

There is attached a report of Lend-Lease purchases made by the Treasury Procurement Division for the Soviet government, indicating the availability of cargo for January.

The inventory of material in storage as of January 1, 1945, was 155,039 tons or 57,280 tons more than the December 1st inventory.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

The President

The White House

WFBrennan:hsc  
(1/8/45)



**TREASURY DEPARTMENT - U. S. S. R.**  
**MATERIALS AVAILABLE FROM STORAGE AND PRODUCTION DURING JANUARY, 1945**  
**(IN 2000 LB. TONS)**

<u>COMMODITY</u>	<u>STORAGE JANUARY 1, 1945</u>	<u>PRODUCTION DURING JANUARY</u>	<u>TOTAL AVAILABLE</u>	<u>PRIORITY CARGOES FOR PORT AREAS SPECIFIED TO DATE FOR JANUARY</u>
AGRICULTURAL MACHINERY AND IMPLEMENTS	105	4,317	4,422	4,405
ALUMINUM	62	287	349	336
BEARINGS	26	543	569	560
BRASS AND BRONZE	2,672	3,397	6,069	6,104
CHEMICALS	3,315	4,997	8,312	8,074
CLOTHING AND TEXTILES		7,903	7,903	280
CONSTRUCTION MACHINERY		3,833	3,833	
COPPER IN VARIOUS FORMS	15,099	1,009	16,108	9,682
FERRO-ALLOYS	60	187	247	230
GRAPHITE PRODUCTS	19		19	
HAND AND CUTTING TOOLS		5,929	5,929	5,608
INDUSTRIAL MACHINERY	31,875	8,935	40,810	40,797*
MEDICAL SUPPLIES		72	72	
NICKEL AND NICKEL PRODUCTS		510	510	459
NON-FERROUS METALS - OTHER	30	1,079	1,109	1,120
PAPER AND PAPER PRODUCTS	393	5,331	5,729	274
PLASTICS	612		612	
RUBBER	316	3,817	4,133	4,256
STEEL, ALLOY AND SPECIAL	9,028	11,964	20,992	15,646
STEEL, CARBON	29,743	57,234	86,977	19,753
STEEL, PIPE AND TUBING	15,384	5,896	21,280	21,280
STEEL, RAILS	43,729	25,685	69,414	25,760
TIN PLATE	2,566	7,138	9,704	10,080
<b>TOTAL</b>	<b>155,039</b>	<b>160,063</b>	<b>315,102</b>	<b>174,704</b>

\* In addition, all available tonnage applicable to the Oil Refinery Program is classed as priority cargo for prompt shipment to ports.



DEPARTMENT OF STATE  
WASHINGTON

In reply refer to  
FMA

January 10, 1945

My dear Mr. Secretary:

I have received your letter of January 9 with further reference to the military exchange rates to be established in certain areas of the Pacific.

In my letter of January 6 to Mr. Bell, I indicated that the Department feels that a ten cent rate should be established initially in Formosa for both economic and political reasons. Economic and political considerations are closely intertwined in matters of this kind, and I do not think it is possible to consider one apart from the other. This Department, in view of the importance it attaches to the political aspects of the problem, is prepared to accept responsibility for the decision. As I understand the discussions we have had regarding the subject with your Department, although your conclusions with respect to the economic factors differ from ours, you are prepared to withdraw your objections to a ten cent rate in view of the political considerations involved.

Sincerely yours,

Under Secretary

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.



DEPARTMENT  
OF  
STATE

OUTGOING  
TELEGRAM

DIVISION OF  
COMMUNICATIONS  
AND RECORDS

JAN 10 1945

AMEMBASSY,

CHUNGKING, (CHINA).

40, Tenth

FOR ADLER FROM MR. WHITE

DEPARTMENT OF STATE

JAN 13 1945

DIVISION OF  
COMMUNICATIONS & RECORDS

Please deliver the following message to Dr. Soong:  
QUOTE Thank you for your New Year's greetings. We  
are all hoping that during the coming year it will be  
found possible to take effective measures to cope with  
China's grave economic and financial problems. I know  
that you will do all possible to help effect such  
measures.

QUOTE With best wishes for the New Year. END QUOTE

STETTINIUS  
(GL)

CA

FMA:PMG:rmk

1/8/45

EAK-1444  
Distribution of true  
reading only by special  
arrangement. (SECRET W)

London

Dated January 10, 1945

Rec'd 4:50 p.m.

Secretary of State,  
Washington.

323, January 10, 6 p.m.

FOR DEPARTMENT AND PEOPLE FROM MANN

Intergovernmental Committee advised by Foreign Office on January 1 (REEMBS 11461, December 27) that British Government has no objection to IGC plans for expenditures in Hungary, Italy and Rumania and in case of latter two no objection to the acquisition of lira and lei in Switzerland. IGC was told to use all precautions to see that neither enemy nor enemy collaborators benefitted.

Regarding Rumanian project Foreign Office suggested that if it were possible in order to avoid misunderstanding "the project should be taken note of in some appropriate manner by the Allied Control Commission in Rumania". If so, willingness expressed to send suitable instructions to British representatives on Commission. It was also indicated to Sir Herbert Emerson that since he intended to discuss Rumanian matters generally with the Soviet representatives of the IGC at an early date he might care to give some indication of proposed operation in order to remove in advance "any difficulties which the Soviet Government might feel disposed to make".

I have discussed matter with Joseph Schwartz who says JDC has outstanding licenses which would permit it to effect for IGC transactions in question. IGC will give no instructions to JDC until it has received United States Government's approval. Sir Herbert Emerson in view urgency situation again requests an expression of United States Government's views concerning IGC proposal.

WINANT

RB

JP-1687

PLAIN

London

Dated January 10, 1945

Rec'd 10:54 a.m., 11th

Secretary of State,

Washington.

364, Tenth

FOR PERLE FROM MANN

Please deliver the following message from Joseph Schwartz to Moss Leavitt of JDC.

Have been discussing with Czech Government relief requirements Jewish and general populations liberated parts Czechoslovakia especially Carpathian region lately 10,000 our protees in urgent need. Czech Government have asked whether it will be possible for us to forward supplies from Tehran or Palestine via Istanbul and Rumania. We have indicated that we would be ready appropriate approximately \$100,000 purchase supplies for Czechoslovakia provided Czech Government would arrange for transportation through Turkey and Rumania but we have pointed out that requirements are beyond resources of private agencies and that if supplies in larger quantities are available Czech Government should make necessary funds available for purchases which we would make. Passman will upon his return investigate amounts available for purchases and will advise both us and Czech Government which is anxious to help. Important you authorize us proceed with purchases budget \$100,000 our account.

WINANT

WSB

MPL

378

NOT TO BE RE-TRANSMITTED

COPY NO. 4

SECRET

OPTEL No. 12

Information received up to 10 a.m., 10th January, 1945.-

NAVAL

1. HOME WATERS. 9th. Norwegian M.T.B.'s sank 8,000 ton ship off Sognefiord; also probably sank minesweeper and damaged trawler.
2. MEDITERRANEAN. 9th. French Submarine Chaser was sunk with all hands, probably by U-boat, off Tangier.

MILITARY

3. WESTERN FRONT. In south enemy has kept up pressure astride Rhine-Rhone Canal and has advanced some 3 miles northwards towards Strasbourg.  
On Northern flank of Ardennes salient attack on enemy has made further good progress despite deep snow and slippery roads.  
On extreme western flank of attack general move forward about 3,000 yards from previous positions east of Rochefort and south of Marche.  
In Centre Allied troops occupied Cielle and Samree and have strong forces south of main Vielsalm-St. Hubert road.  
In East U.S. troops advanced to within 4,000 yards of Bovigny.
4. GREECE. British tanks entered Thebes midday 8th. Other Allied troops reached Chalcis and area of Levadia.
5. BURMA. Arakan. Our troops now in area of Ponnagyun. Savage Island, West Boronga Island and middle Boronga Island all reported clear of Japanese.  
Central Burma. Shwebo entered and railway station undamaged. Further north 2 villages 20 miles south of Tagaung occupied.

AIR

6. WESTERN FRONT. 9th. Bad weather prevented operations except small number of sorties flown by SHAEF (Air) mainly over southern sector. Mosquitoes set on fire 6,000 ton and damaged two 1500 and 2000 ton ships and a whaler in Lervik. In Sognefiord Beaufighters sank 3,000 and 1,000 ton ships.
7. MEDITERRANEAN. 8th. 309 escorted U.S. heavies (6 missing) dropped 629 tons by Pathfinder technique on railway centres Austria including 347 tons Linz.

HOME SECURITY

8. ROCKETS. 9th. 3 rockets reported.  
Night 9th/10th. 3 rocket incidents.