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August 19, 1944
9:35 a.m.

ROUND TABLE DISCUSSION ON BANK AND FUND

Present: Mr. D.W. Bell
Mr. Gaston
Mr. White
Mr. Luxford
Mr. Smith
Mr. Granik
Mrs. Klotz

H.M.JR: I read this thing last night. (Refers to proposed draft of questions, attached)

This is the way I feel, Mr. Granik - first, may I thank you for coming down. I am afraid I broke up your week end.

I think that you should conduct this program the way you always conduct your programs and that is that you should do the questioning. Somebody had the idea that I should sort of M.C. this program. I think that is a mistake. I am just throwing this thing out.

In reading this thing over, I would be glad to have you introduce me and make some introductory remarks, if they can be prepared properly, to sort of give the atmosphere of the thing. And then rather than making a closing remark - this is just what I feel - I haven't discussed it with anybody, but I was reading it early this morning - I thought that if questions 17 and 18, "What do the Fund and Bank mean in terms of world peace?" and "What is the alternative to not having the Fund and the Bank?" - I would be glad to take those two things at the end and make those my closing remarks.

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MR. GRANIK: Do I have a copy of those?

MR. LUXFORD: You have the questions, but we have worked up answers to them - not text answers, but just the points.

(The Secretary hands Mr. Granik a copy of the attached questions)

H.M.JR: I was thinking that 17 and 18 interest me the most.

Now I would like to have anybody else advise and discuss the thing.

MR. GRANIK: If I might explain, Mr. Secretary, you see, in the Forum we usually don't have to have questions prepared because we have them controversial as a matter of form. I mean, whether there should be a larger air force, or whether - next week we are going to do one on the question of labor and politics - "Should the APC be in the political realm," with Congressman Starnes, and Jim Carey, and somebody from the AF of L. Someone need not furnish any questions. They will just go at it, and it keeps rolling along. The program has to sustain itself over this forty-five minute period. It isn't merely a matter of asking a question of somebody, the ball should be carried around constantly as if a group of men were at a dinner table discussing the thing in round-table, informal fashion, so while it sustains itself among the speakers the public will continue to listen to it. Otherwise it will bog down.

I don't know just how the gentlemen here worked the thing out, but the only time we ever did one - the only precedent I have for doing one of the one-sided ones with questions was when this resolution came out on the question of the peace organization with Senators Hill, Burton, and Ball. There were four men on, but we planned it where one would ask another one a question and they agreed to pick it up from there, and somebody else would come in

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and ask another question, which would be picked up. But the ball kept carrying throughout the forty-five minutes. Even if it were necessarily controversial, at least the experts might make it appear to be provocative by asking a question in a negative form - "Isn't it a fact that - so and so?"

Mr. Acheson might come in and say, "I found this when I came back; some people asked me - so and so."

Someone would say, "Some of the letters we have had indicated a reaction to this thing," or "One of the newspapers have commented - so and so." But the repartee has to continue.

H.M.JR: I know what you are saying. I have participated - as a matter of fact, I had the first one at which Murray and Green ever appeared together.

MR. GRANIK: I recall it.

H.M.JR: I had the Chamber of Commerce and we did get them all together for the first time. But for that one we had a regular script. I realize that it is hard to get a spontaneous feeling over on the air, but I would be very loath to take part in a program where the people were going to ad lib on this subject, because God knows what they would say.

MR. GRANIK: You know your people - I mean, you have been with them at other meetings.

H.M.JR: That is why I am worried! Now, I realize - if you don't mind my comparing you to a columnist - pick any columnist you want, so you can decide in your own mind whether it is complimentary or not - I mean it to be. You like controversy, and that is what columnists live on - to create controversy as opposed to an AP or UP reporter who writes the news straight. I don't want a controversy on this program.

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MR. GRANIK: You won't have any. As a matter of fact, the only thing that has been bothering me is to sustain it - not necessarily controversy. As I was trying to explain - where ordinarily we do have, we have tried to depart from that in this in order to help the Treasury Department sell their program to the country, by putting it that way, in somewhat of a "Report to the Nation" idea, if you want to call it that.

H.M.JR: That is all right.

MR. GRANIK: But in order to sustain itself, the discussion must be alive and continuous; it can't be that I ask a question and somebody answers me, because I know very little about it. I didn't attend the Conference and I am not a monetary expert. I would be glad to throw a question out and the panel could carry it for three or four minutes, and so forth.

H.M.JR: Can't you, through a rehearsal, give the thing a certain sparkle?

MR. GRANIK: I would love to do that. That is exactly the word I was looking for.

H.M.JR: After all, when I go on "We the People" I devote two full days to that half-hour program, and they have always been very pleased with the results. But the whole thing is rehearsed. I mean, we don't leave anything to chance. They have a man standing behind each of the guests - not behind me - to make sure that if he slips they will pick him right up. But I took over the job each time of being Master of Ceremonies of that program. But the thing was rehearsed and rehearsed and rehearsed.

MR. GRANIK: I am for a meeting. In fact, Mr. Luxford and I discussed the possibility of meeting Monday rather than Tuesday. Of course, I had the same feeling; I didn't know how much time you could devote to it, but--

H.M.JR: I won't be here, but I notice that you have a meeting in New York. (To Luxford) I think you had

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better postpone it. I think both you and White should be here, and I think you ought to get these people together and rehearse.

MR. GRANIK: I urged that, Mr. Secretary. That is why I didn't want to leave it until Tuesday. I wanted an advance, so people could think about it.

H.M. JR: And I will take the role of the guest star. I will walk on the stage at the last minute, but I am willing to be rehearsed Tuesday afternoon after the show is set.

From my experience - you are familiar with the "We the People" program. They have sustained that thing week after week. It hasn't the highest rating, but they sustain it. But everything is written out to the last comma. If you start in Monday afternoon to do this show, and got the thing so you were satisfied, and the other people were satisfied, we would make them give you a full afternoon and you could have a dress rehearsal with me Tuesday afternoon. What do you think?

MR. GRANIK: That is very satisfactory. You mean to plan the thing and rehearse it, so even though we are ad libbing on the air, at least we are ad libbing something we understand and we have a flow of continuity.

H.M. JR: That is right.

MR. GRANIK: I did a program with Senator Wagner, head of the NAM, head of Veterans and the Legion - we had eight speakers on jobs for veterans just a few weeks ago and we arranged a preliminary meeting of that. And again, although there was a difference of opinion between the Legion head and the veterans, and between the NAM and the CIO, nevertheless, we met in advance at luncheon on Tuesday for three or four hours. We said, "Senator Wagner will take this question, and from there the NAM man will pick it up, and the CIO" - and we discussed what angles they would take that way, and the program kept flowing. I am for that very much if you can give the time to it.

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H.M.JR: They will have to give the time to it. Frankly, there was a mix-up here. If I had been consulted I would have asked you to postpone this thing. But it is too late, and I will be a good sport and give you the best I have, because you are making this thing available, and I appreciate the spirit in which you are approaching this. But I think if they are going to do it, the people ought to give you all the time Monday afternoon until you are satisfied, and then have a dress rehearsal with me Tuesday afternoon until I am satisfied.

MR. LUXFORD: I take it, Mr. Secretary, you are thinking not in terms of a prepared script on the answers, but more as Granik has suggested, that they have rehearsed their answers.

H.M.JR: No, we have to meet each other about half way. What I think is, the way I can get around his objection - by the time they have a rehearsal they will have memorized the thing and it will be equivalent--

MR. GRANIK: It is what is up here, as long as one doesn't have to read it.

H.M.JR: When I have to do my own, I am not going to leave it to ad lib, because I haven't the time to give to it. I want a prepared thing, and you can make it a summation, or anything that you want, but the part that I would like to take is this part (indicating). You don't have to have it in the form of a question. I don't see why you can't meld those two things.

MR. LUXFORD: You can.

MR. GRANIK: I will need somebody on the program with me - if Mr. White will do it - who knows the subject as thoroughly as he does, to help me and carry the ball, so to speak, during the discussion - whether rehearsed or otherwise - so wherever he sees the possibility of its bogging, he could come in with a pep-up question. Even though I might ask a question to start it, I know nothing at all about it, to be very honest, and somebody has to do that to keep the ball going.

That is all I want to do, sustain it to make it interesting to your listeners.

H.M.JR: They did this thing up at Bretton Woods. A little gremlin that came in - the unknown voice was he - him - Bernstein. He kept coming in. But Harry is there - if he is willing - what do you think, Fred, so far?

MR. SMITH: I think it is fine. If they will rehearse in the afternoon - I think what might be done is to just have a basic script and have them rehearse the basic script, which you practically have now, and then maybe have it taken down by a stenographer and clean it up the next day. They may want to veer off the script a little bit, and the spontaneity would be in their own words.

MRS. KLOTZ: While they are rehearsing, have a stenotype operator take it down.

MR. SMITH: The rehearsal would be practically what the show usually is, except that you would take it down and then you would have a chance to clean it up, and then they would have a script for the Tuesday rehearsal.

MR. GRANIK: You can, further - if you want to we could probably make arrangements to record the thing and see what it sounds like.

H.M.JR: That is better.

MR. GRANIK: Then everybody knows the part he is playing and could act extemporaneously. Do it Monday and then play it back once or, if necessary, twice.

MR. SMITH: We could prepare a script from that, but the script would then be in the people's own words and that would give you the illusion of spontaneity in discussion.

MR. GRANIK: I think your suggestion is an excellent one.

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H.M.JR: What do you think, Gaston?

MR. GASTON: I think that is all right. I think you can take out of these questions here material for your opening and closing speeches.

MR. GRANIK: I would like the Secretary to be in there somewhere during the course of that - some comment or two. I am saying that he is participating, and if the voice isn't there somebody will think he just came in and walked off again.

MR. SMITH: Don't you think that after we have had the rehearsal on Monday there will be obvious openings for the Secretary to drop in?

MR. GRANIK: It will normally develop by itself.

MR. LUXFORD: Just the same as you did at the final session at Bretton Woods - wherever you felt like you could inject a comment.

H.M.JR: Have you gone through my mail in relation to this?

MR. LUXFORD: No.

H.M.JR: Will you get it and go through it, and there might be a couple of good letters.

MR. GRANIK: That is a splendid idea. Some of the questions I was going to throw - I didn't know I was to moderate that phase of it - I was going to adopt it from the point of view that since we have announced the program we have had a lot of questions from the public, and I was going to assume the role of John Q. Public and ask this "rat-hole" question you gave me. I was just reading some article about whether the present agency should continue it, or should we just do it for immediate post-war, or perhaps expand it later. If we could phrase that, the important point is to get it down to the man-on-the-street level. I discussed it yesterday with some of the boys.

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We said the Institute of America would listen to it. They said they are all going to listen to it. But they asked me again and again to put it on the level that the man on the street will understand it, and not the economists and the experts. If you can get it on that level, it would be splendid.

H.M.JR: I don't know whether there are any letters from soldiers; but, I mean, letters from soldiers would be useful.

Well, I am all for putting it on the level of the eighth-grade school child.

MR. GRANIK: That is a very average level.

H.M.JR: We always try to do that.

Bell?

MR. BELL: I am a little worried about the questions. Where you eliminate the controversial aspect of this thing, I wonder if the questions are going along so well. I was wondering if you couldn't make your opening statement and then say that you have other members of the American Delegation present and that you are sure that they have been asked many questions since they returned from the Conference, and let each one of them raise their own questions. You can put the questions in their mind. Let Dean Acheson say, "Since I have been back, I have had these questions raised.

MR. GRANIK: That will come during the discussion.

MR. BELL: Let them raise their own questions that other people have asked them from the outside.

MR. GRANIK: That is part of the Forum. That is what I tried to express at the beginning. While I might throw a question out - for example, at the Chicago Convention we had three columnists who represented the so-called pro-New Deal side, and three who were right in the

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Democratic stronghold.

While I might throw out a question as to the outlook of the candidates, that is merely a leading question. From then on, for three or four minutes, they exchange questions.

Leon Henderson says, "Here is a question that is being asked of me all over the convention hall. I want to answer the thing."

Then along comes Fulton Lewis. That goes on until we begin to see that it is bogging.

If we are going to have a rehearsal that is unusually good, Mr. White and I could have some working team; that is, if there is time to break in with a question on the Monetary Fund, or world trade, or what this means in the post-war area to the farmer - if I could get those cues, I could break right in.

As I do, Mr. Morgenthau might say, "That reminds me of a letter I got the other day from a soldier in Saipan who asks me this question."

Then Mr. Acheson will say, "We had a similar problem like that in the State Department."

I mean merely normal things to do.

H.M.JR: I think if we had the rehearsal and the stenographic notes were taken down and that became the script, and you also put it on the air and had a play-back on the thing, that that would fully satisfy me.

The next day you would really be just repeating what you did and improving it. Then by Tuesday night the thing ought to sound fairly natural.

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MR. GRANIK: I am for that.

H.M.JR: Harry?

MR. WHITE: I don't have much experience in this. I don't see this thing clearly at all. I think Dan's suggestion might help. It is kind of a peculiar situation which all of the people who were there were supposed to know about. Just how you can keep the ball in the air is something I am not at all clear about, and I am willing to defer to your judgment.

I don't see how you can ask each other questions. You are all supposed to know the answers; and how you can make it appear that you don't without its falling flat is something that I don't see clearly. Now, that doesn't mean that it can't be done; I am merely suggesting that I don't know how it can be done.

It might be possible--the thought occurred to me--could you get some Senator to come down who says he is on the Banking and Currency Committee, or some others? He says there are a lot of questions that have come to him. You ask some, and he asks some--I don't see how you can keep the ball in the air on this problem.

Now, you probably have the technicians and can probably do something. I personally don't see it clearly, but I am certainly willing to cooperate.

MR. GRANIK: Would you ask Bob Taft to come down? He has a lot of questions he wants to ask.

MR. WHITE: No, it can be a sympathetic Senator, but it can be someone who is up there and isn't supposed to know who says he has a lot of questions from his constituents. Maybe he might be able to help introduce into the radio--

MR. SMITH: Harry, here is one thing: I think they are thinking of this thing too formally. For example, Granik might say that one of the letters he had since this was announced was we are throwing the money down a rat-hole.

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Are we or aren't we? Somebody picks that up. Then after the original question has been answered or is being answered a second man could very easily say, "Well, I have run across a banker in St. Louis who said approximately the same thing in a different way." Then he answers it from that angle. That particular question might be broken down four or five times.

MR. LUXFORD: Have three or four different slants on it.

MR. SMITH: When you come right down to it, the only way you know whether it will hold up or won't is on your Monday rehearsal; you will have an opportunity to go over it.

MR. WHITE: What do you do if it doesn't hold up on Monday afternoon?

MR. SMITH: There will probably be a good reason for it. Either people have gone on too long, in which case you can cut them down, or the questions are too similar in sequence, in which case you mix them up, or you need a new voice occasionally through it, in which case you drop somebody in.

MR. GRANIK: In a sense, Mr. White, what we would try to convey is, here you have been up at Bretton Woods. That has been a closed conference. The public couldn't come up there, and you are making available to them the type of thing you have been doing there. You have been sitting around at Bretton Woods doing this very thing. If you could project that into the minds and ears of those who are listening in, make them feel you are carrying them into the room, undoubtedly you would carry the ball.

H.M.JR: I tell you, if the thing is flat you either send for Bob Hope or Bebe Daniels or somebody like that. I warn you before we get through, Fred Smith will want an orchestra underneath.

And if White thinks there is a chance of flying in Monday afternoon a couple of Hollywood stars, he will pep up a lot over this thing.

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MR. WHITE: Isn't three-quarters of an hour a long time? How long is Town Hall?

MR. GRANIK: An hour.

MRS. KLOTZ: It isn't long, and three-quarters of an hour goes by very quickly.

H.M.JR: You are a flatterer.

MRS. KLOTZ: No, it is true. They are very exciting, terrifically exciting.

MR. GRANIK: We had one the other day that could have gone on for hours, Senator Ferguson and Bob Ramspeck, and others, on what the people back home think. There were two Democrats and two Republicans, so it was great going.

MR. D. W. BELL: They are used to saying a lot of things, but I don't think you can have questions on this subject that are wrong. They ought to be absolutely correct. I think you have to have them written.

MR. GRANIK: Well, as far as writing the questions go, we will write those I am going to ask. I will have little index cards.

MR. D. W. BELL: I mean the answers.

MR. GRANIK: The answers, I don't know; that would be your baby.

H.M.JR: I am satisfied with this little talk we have had. What I suggest is that we adjourn this meeting to somebody else's room. I think we should have the rehearsal. I believe we should practice it and take stenographic notes and make that the script.

As Fred says, clean it up and play it back to the people, and I will hold myself available for Tuesday afternoon. I think further discussion can take place in somebody else's office, unless you have a further question.

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MR. GRANIK: No. Herbert Bratter was telling me the other day that you did one from Bretton Woods with a group of newspaper men, but that was various points of view.

H.M.JR: That was Luxford who thought of that.

MR. LUXFORD: Mr. Secretary, I have only one question remaining. Customarily Mr. Granik allows fifteen minutes for questions from the audience after the program is off the air, and I think that you would like to have that here, wouldn't you?

MR. GRANIK: We wouldn't like to depart from it. But when we go off the air we do it from the ballroom of the Shoreham Hotel before an audience of people that come in. Many Members of the Senate and House come there, many Government officials, many Army and Navy people, and when we go off the air at ten-fifteen, we usually allow fifteen minutes of questions. Prior to the war I had had questions from the audience while we were on the air, but a lot of non compos mentis people would ask questions to embarrass people.

MR. WHITE: Wouldn't it be possible to cut down fifteen minutes and put that on the air, a half hour of questions from the floor. Would it be possible to put that on the air as part of the program instead of having it after.

MR. GRANIK: Do you want it on the air?

MR. WHITE: I should think that would be very interesting.

MR. GASTON: You can't do it under the censorship rules, Harry.

MR. GRANIK: Let me make this suggestion: Would you like a fellow like Bratter, for example, to ask a question or two from the audience?

MR. WHITE: Any question. You don't have to prime them, let anybody ask any question.

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MR. SMITH: That runs counter to what the Secretary said.

MR. GRANIK: Would you want him on the program, that type of person?

MR. GASTON: In doing this dictation you have to make allowance for the Secretary's part later.

MR. GRANIK: Well, I will have to see.

MR. GASTON: You wanted a space left on this thing for you?

MR. GRANIK: We thought as we rehearsed it we would see little spots where the Secretary could come in from time to time with a comment or statement, or read a letter he had from some soldier, and that would be a pickup. Am I correct in that?

H.M.JR: We can see, but this thing has upset me now; they keep springing these things at me all the time. I wasn't told there were going to be any questions from the floor.

MR. LUXFORD: I merely said that that was customary.

MR. GRANIK: If you want to cut it, I can explain to the visible audience that we are abandoning the usual procedure that night.

MR. SMITH: The man on Town Hall puts stooges in and only recognizes stooges.

MR. GASTON: But under censorship rules now you can't have impromptu questions.

MR. SMITH: You mean off the air?

MR. GASTON: The idea was that they might be giving information.

MR. GRANIK: That is an unessential part of the program. The only reason we normally have these questions from the

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audience after we are off the air is to merely let these people get some steam off that they couldn't during the program. But if you feel it would embarrass the speakers, it is easy to announce prior to going on that we won't have it.

H.M.JR: Let me think about that. May I, please?

MR. SMITH: It doesn't have to be decided until just before you go on the air.

MR. GRANIK: If you decide we don't want them from the audience--as a matter of fact, when we say questions we mean two or three people can get up. Most people are usually timid at a program.

MR. GASTON: I think you will want to save six or eight minutes at the beginning or end of the program in addition to this conversation you have for the Secretary's opening and closing statements.

H.M.JR: If I handle this thing here I don't need that much time.

MR. SMITH: I think that should be decided after we get the script. This rehearsal might go on for an hour and a half and then be cut down to forty-five minutes, and then we will see how much the Secretary ought to have in there to balance out the program. But the Secretary's part can be written into the script after we have these notes.

MR. GRANIK: You will always find that; that is absolutely true. After you get started you might want to do some cutting instead of adding, or vice versa.

H.M.JR: Unless this is different from any other program, we will be ready about nine twenty-nine on Tuesday night.

MR. SMITH: What time is it?

MR. GRANIK: Evidently the Secretary has had a lot of experience with last-minute radio programs. Well, our usual

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procedure, Mr. Secretary is, the speakers, the Senators, and I usually meet at seven-thirty for dinner before the program, but they are usually primed. But this I agree with you most thoroughly--it has been worrying me for the past week.

H.M.JR: Do you feel better about it now?

MR. GRANIK: I feel a great deal better, because I would like to feel there is a flow of continuity. We had a heartache of doing something like that that Mr. Lehman asked me to do at UNRRA. Finally we tried to put it together. As the Secretary said, it was still coming off the typewriter. I saved a two-minute spot for Governor Lehman to speak at the end of the program, and we didn't know he had those two minutes. We were both watching that clock very desperately, and fortunately we had three minutes, but I don't want it to happen again.

H.M.JR: I will leave that for you.

MR. GRANIK: I will have to rely on your people here.

H.M.JR: I mean, if I am going to have something prepared, then I would like to say it, but you are experienced in allowing time.

I had this novel experience: I was in a room not much bigger than this desk, and Ed Murrow was sitting across the way. Then at the last minute in walks a little Englishman. I said, "What are you doing?"

He said, "I am the censor. I cut you off if you say anything you shouldn't." That was just to make me feel thoroughly at home.

MR. GRANIK: Very hospitable.

MR. SMITH: Worse than that; he sits with his finger on a key to let you know he can cut you off. He sits just like this (demonstrating) daring you to say something you shouldn't.

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MR. WHITE: Why didn't they read the script?

H.M.JR: They are afraid of doing what Granik wants me to do.

Well, I have had enough experience in radio to know that if we do the thing the way it is suggested here and spend Monday afternoon and Tuesday afternoon on this thing, I am sure with the talent in this room that when I come in Tuesday afternoon you will have something very good.

MR. GRANIK: When you refer to the talent in the room you are referring to your gentlemen here who know the subject.

I will be delighted to help on Tuesday or Monday, or any time you want to.

H.M.JR: I suggest, White, that this adjourn to your room and that Luxford and Fred and Mr. Granik go there and discuss this thing.

Questions Which Might Be Used As
Basis For Round Table Discussion
On American Forum of the Air.

1. Now that a month has elapsed since the close of the Bretton Woods Conference and you have had a chance to mull it over, is there any particular point about the Conference that sticks out in your mind?

- [(a) the "give and take" spirit manifested by the delegates of all countries;
- (b) convincing proof that the United Nations can and want to work together in peace as in war;
- (c) the fact that the nations of the world are looking to the U. S. for constructive leadership in the post-war world;
- (d) Russia's desire to cooperate with other nations;
- (e) the full historical meaning of the success of Bretton Woods;
- (f) the success of international cooperation in the monetary and financial field will determine the outcome of international cooperation generally;
- (g) the attitude of America toward the accomplishments of this Conference will indicate to the world whether we are going to pursue a policy of full international economic cooperation, or one of economic isolationism and dog-eat-dog competition in international economic relations.]

2. This is a difficult question, but I would like someone to tackle it: In a few words, how would you describe the International Monetary Fund so the man-in-the-street could understand its over-all meaning?

- [(a) The Fund establishes machinery for stabilizing the exchange value of the currencies of the world. This stabilizing of currencies is of the very first importance if we want a healthy development of world

- - -

trade. It is necessary so that the American manufacturer selling his products can count on getting paid in currencies that will have a stable value in relation to the dollar.

- (b) The Fund also establishes certain rules of the game for foreign trade so that every country will get a square deal financially in its trade with other countries joining the Fund. Thus, not only does the American manufacturer selling his products abroad want to be able to count on getting paid in stable foreign currencies, he also wants to have assurance that when he gets paid, no country is going to prevent him from exchanging his foreign currency for U.S. dollars. Similarly, he wants to know that if businessmen in Country A are going to buy some machinery, that he is going to have the same opportunity to sell them that machinery and get paid as would a manufacturer in Country B. The Fund will constitute one of the major instrumentalities for achieving these goals.
- (c) In order to help member countries stabilize the value of their currencies, each member puts into a common revolving fund gold and his own currency. From this common revolving fund members can draw foreign currencies in time of need, but as their position improves they must restore what they have drawn.
- (d) In a nutshell then, the Fund provides international machinery for stabilizing the values of foreign currencies and for playing the financial game fairly in the field of foreign trade and commerce. If countries which are fulfilling these obligations get into trouble, the Fund stands ready to make its resources available to help them over a crisis and to afford them a chance to work out their problems without resorting to "sharp practices" such as depreciating currencies, imposing restrictions on the payment for goods they have bought from other countries and all the other tricks which Nazi Germany taught the world.]

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3. I know the public would like to hear similar explanations of the International Bank for Reconstruction and Development.

(a) The purpose of the Bank is to encourage investors in countries where capital is plentiful to lend money to borrowers in countries where funds are needed but are not available. Loans in which the Bank is interested will be only for the purpose of rebuilding industries, public utilities, etc., in war devastated countries, and developing natural resources, public utilities and industries in underdeveloped countries;

(b) The principal activity of the Bank will be to guarantee loans made by private lenders, such as banks and investment houses. In addition, where necessary, the Bank will make some loans out of its own resources.

(c) Each of the 44 United Nations will purchase shares of stock in the Bank. Only a small part of the value of each share will be paid immediately, and by far the larger part of the value of these shares will not be paid at once but will constitute a reserve to support guarantees made by the Bank;

(d) The liability of each member country is limited to the value of the shares of stock in the Bank purchased by that country. Irrespective of the currency loaned by the Bank, or loaned by private investors and guaranteed by the Bank, each member will share in the risk in proportion to the stock it holds.]

4. If there is no such Fund or Bank, will Americans be able to invest abroad?

(a) Of course there would be some investment without the Bank and the Fund, but there would not be nearly as much, or for that matter, nearly enough to meet pressing needs. Investors in this country remember too well what happened to their investments abroad

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after the last war. In fact, one of the chief reasons for the Bank is because there will be so little investment abroad without it. Investors will not lend unless they are assured of the return of their money and a reasonable rate of interest. This is precisely the function of the Bank.

- (b) By stabilizing exchange rates and removing restrictions on transactions in foreign currencies, the Fund also will encourage foreign investments.
 - (c) By increasing trade and income generally the Fund and the Bank will promote an expansion of international investment.
5. What effect will the Fund and Bank have upon moneys owed to America by foreign countries, such as the debts arising from the First World War?
- (a) Neither the Fund nor the Bank are being established to handle old debts. They are not intended to deal with war debts arising out of either World War I or World War II.
 - (b) After the last war this country attempted to lift itself by the bootstraps by loaning countries the money with which to pay their debts to us. As we all know, it was a sad experience and one which will not be repeated in the Fund and Bank.
 - (c) Fund and Bank are concerned, rather, with getting the war torn and underdeveloped countries of the world back on their financial feet and establish them again as going concerns. Their tasks are confined to the opening up and maintenance of trade and with the reconstruction and development of the devastated and underdeveloped countries of the world. These are man-sized tasks by themselves without attempting to burden these institutions with the liquidation of war debts.

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6. I don't think that the American public fully realizes what the Fund and the Bank mean in terms of American foreign trade. How do you think they will affect our foreign trade?

- [General
- (a) Important to bear in mind the tremendous productive capacity of this country, particularly as it has been developed during the war. If we are going to keep these enormous productive facilities in operation and thus our people employed, it is imperative that we have a high level of foreign trade. Otherwise this country will be ripe for a real depression.
 - (b) Both Fund and Bank are designed to maintain level of world trade at high levels--much higher in fact than was ever the case before the war.
 - (c) Keep in mind that an economically stable and prosperous world is the best insurance for prosperity in the U.S.]

[Effect of the Fund on American foreign trade:

- (a) Other countries, not the United States, have engaged in pernicious currency practices which restrict trade. These practices will be outlawed;
- (b) Currency values will be stabilized which means that when the American exporter sells \$10,000 worth of goods abroad he will get foreign currencies worth \$10,000 in return;
- (c) Countries having temporary currency difficulties will have access to the Fund to enable them to solve their problems without stifling trade.]

[Effect of the Bank on American foreign trade:

- (a) Most of the borrowers whose loans will be guaranteed or made by the Bank will need U.S. dollars to purchase goods in this country. This will increase American exports.
- (b) When the productivity of other countries is increased, the people of those countries will have larger incomes with which to buy American products.]

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7. Would the establishment of a Fund mean more government controls over foreign trade--does it mean, as some have hinted--that foreign trade would have to be taken over by government agencies?

- (a) The Fund would mean less government controls, not more. Controls over exchange transactions would be removed and no new controls are required;
- (b) The Fund will not operate in exchange markets nor will it deal with individual traders. It will neither control nor compete with private traders;
- (c) The U. S. leaves its traders free to buy and sell where they please and operate under the rules of free competition. This right can be effective only if other countries do not restrict the freedom we give our traders. The U.S. can insure such freedom only through international cooperation. Thus, rather than increasing government controls, the Fund is an effective way of reducing the exercise of such controls by other countries.

8. Will the Bank control or compete with private investors?

- (a) The Bank will not control private investment because it will act only when its guarantee is sought by investors, or its participation is sought by borrowers;
- (b) It will not compete with private investors, but will assist them by guaranteeing their loans and will only lend funds to borrowers who are unable to obtain funds from private investors on reasonable terms.]

9. Since the Fund and Bank mean a real increase in our foreign trade, it is clear to me that they both spell "jobs" for American workers and returning soldiers. What do you think about this?

- (a) Expanding trade means larger exports from the United States and it has been estimated that 5,000,000 additional jobs could be provided by industries which increase their production in order to supply the export trade;

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- (b) An increase in our foreign trade will mean an increase in our national income, and as purchasing power increases, production expands and more jobs are created.]
10. Well, how about the American farmer? You know I am a farmer and we farmers need a healthy world market for our products if we are going to raise all we can and be able to sell it at decent prices.
- [(a) United States farmers export about a billion dollars annually in agricultural commodities, and many times that amount in exports of which agricultural products form a part;
- (b) A slight variation in the value of foreign currencies may result in a serious loss to farmers because:
- (1) if the value of foreign currencies dropped, other countries could buy our agricultural products only if we lowered our prices; or
- (2) if we maintained our price level we might lose foreign markets entirely. The U.S. market would then be glutted with repercussions on domestic prices.
- (c) Farmers will benefit directly from the increase in world trade which will result from the establishment of the Fund and the Bank. In addition, farmers will share with other segments of the population in the general benefits of world peace, world prosperity, and higher standards of living.]
11. What will be the amount of the U.S. subscription to the Fund and the Bank?
- [(a) The United States will subscribe \$2,750,000,000 to the Fund and \$3,175,000,000 to the Bank--a total investment of less than \$6,000,000,000. Of this amount approximately \$3,000,000,000 will not be paid in cash but will be a contingent liability which may never have to be paid;

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- (b) This is not a "contribution" and not a "cost," but an "investment" in world peace and prosperity which will remain intact and may even pay a direct profit to the United States;
- (c) The United States is presently spending over \$7,000,000,000 each month in the prosecution of the war. Thus, our investment in world peace and world prosperity would be less than one month's expenditures during the war. This is a small price to pay for the benefits which will result from the two institutions.]
12. Is there any guarantee in the plan that we won't have to put up more billions when the original sums have been exhausted?
- (a) Under Fund and Bank proposals our liabilities are limited to the original subscriptions and this country cannot be required to put up one additional dollar unless it wants to.
- (b) Since the uses to which the Fund's resources are put are strictly limited, and since it is in the nature of a revolving fund, in the opinion of experts, a Fund of \$9 billion is regarded as adequate to meet requirements.
- (c) It is, of course, not impossible that the Fund may at some time be temporarily short of dollars. If that contingency should occur, the Fund would still operate in the other forty or so currencies it holds. Of course we could, if we were satisfied it was in our own national interest, lend the Fund more dollars-- but this would be a decision for us to make at that time.
- (d) Likewise, in the case of the Bank, we might want to expand its subscribed capital after it had proved itself to be a success.
- (e) In no case would we provide more money to the Fund or the Bank unless they proved to be generally beneficial, and financially successful institutions and unless we decided it was in the American interest to do so.]

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13. What about the vast sums of gold that our Government has stored up? Will they be used in this plan?

(a) The Fund and Bank provide for a portion of each country's subscription to be paid in gold. Only a very small fraction of our gold would be included in our subscription, however.

(b) The Fund recognizes the importance of gold in the field of international finance and guarantees to gold the same position it has commanded throughout the world for centuries. Thus, under the Fund proposal the value of each member's currency is to be fixed in terms of gold. Moreover, each country can buy any currency from the Fund for gold, and each country guarantees to sell its currency to the Fund for gold. Therefore, the United States can always use its huge reserves of gold to buy any other currency under the Fund agreement.]

14. Will any of these monies be used for relief purposes abroad-- anything like an international WPA?

(a) The Fund has nothing to do with either relief, rehabilitation, or reconstruction. The provision of money for relief and rehabilitation is the responsibility of UNRRA. The Bank is intended to finance sound reconstruction projects, but they are no more WPA projects than are the loans of any private bank. Thus, while Bank loans will, of course, provide jobs, loans will not be made for the purpose of providing jobs.

(b) The Fund and the Bank are permanent institutions and not simply designed to handle problems of the immediate post-war.]

15. Someone recently stated that the U.S. would be pouring the money down a "rat hole" if we joined the Fund and the Bank. What do you say about that?

(a) To characterize this country's participation in the Fund and Bank as "pouring money down a rat hole" is typical of the tactics which isolationists and defeatists

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are bound to employ in their efforts to defeat these proposals.

- (b) It is time that all of us focused on the real "rat hole" of war and this time be prepared to invest some money in rat poison.
- (1) To date, this war has cost the taxpayer over \$200 billion dollars. Before it is over and by the time you include pensions and other indirect costs, it will cost us several times that amount.
 - (2) To date, this war has cost us 300,000 casualties. Before it is over it will cost us far more lives and other casualties.
 - (3) The cost of the war to the world will have to be calculated, not in millions, not in billions, but in trillions of dollars, and tens of millions of lives and injuries will go down this "rat hole."

These figures show us the real "rat hole" into which the lives of our men and our money is being poured.

- (c) Against these staggering losses from war, the Fund and the Bank represent investments in peace. This country is asked to invest \$6,000,000,000--less than the war costs us each month--in an insurance policy against World War III. It is a sound investment if it offers even a reasonable chance of avoiding another war. It would be a sound investment in peace even though we were to lose the whole amount. We are investing in "rat poison" to exterminate future rats like Hitler and Hirohito before they rise up to plague us. It is an investment in cleaning up the breeding grounds of such rats.

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- (d) However, there is no justification for assuming that the U.S. will lose whatever it invests in the Fund and the Bank. Every possible precaution was taken at Bretton Woods to protect both institutions against loss and to insure them against abuse. If notwithstanding all of the protective measures which were taken, critics still maintain that our investment is "pouring money down a rat-hole", then these critics are really saying that any attempt at international economic cooperation is doomed to failure from the start. They are really stating that the U.S. should again don the mantle of economic isolationism and leave a sick world with no other prescription than that of Mrs. Hitler and Goebbels.
- (e) We should not get too alarmed about their outcries in any event. The public will not forget that before Pearl Harbor these same voices which are presently crying that we are "pouring money down a rat-hole", were shouting that we were throwing our money away in appropriating it for national defense and for Lend-Lease. These voices are now just as unprepared for peace as history shows they were unprepared for war.]
16. If the U.S. is going to be the principal country able to furnish the goods for reconstruction in the early post-war years and since this means that U.S. dollars will have to be furnished by the Bank to buy these goods, why should we turn to an International Bank? Why not establish a nine billion dollar U.S. Bank for Reconstruction and Development and run it ourselves?
- [(a) Precisely because the bulk of the loans will be in U.S. dollars and for the purchase of U.S. goods it is important for the United States to have an international bank rather than a United States bank. If such a U.S. bank guaranteed a U.S. loan it would mean that the United States not only provided the capital but assumed the entire risk of loss. When an international bank guarantees a U.S. loan it will mean that 44 nations guarantee repayment to the private U.S. investors.

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- (b) The privilege of having such a U.S. instead of an international bank would increase our liability by 36,000,000,000.
 - (c) The creation of such a U.S. bank would be a step away from international cooperation and toward economic isolation. It would constitute a threat to the whole world that the United States was embarking on a large scale adventure into dollar diplomacy.]
17. What do the Fund and Bank mean in terms of world peace?
- [(a) Economic warfare is the forerunner of war. The Fund and the Bank are an important step in the abolition of economic warfare;
 - (b) Economic instability leads to totalitarian forms of government and all the evils of Nazism and Fascism;
 - (c) War torn countries must achieve political stability and they can do this only if their economies are stable;
 - (d) To obtain stable economies, war torn countries need equipment to reconstruct their industries and provide jobs for their citizens;
 - (e) All countries that have been seriously damaged by the war or have had their economies disrupted can be properly adjusted to peace only if there is reason for them to be confident that their economic structure will be restored;
 - (f) The maintenance of peace is dependent to a large extent on the successful establishment of international economic cooperation.]

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13. What is the alternative to not having the Fund and the Bank?

- [(a) The way of the Fund and the Bank is the way of international cooperation. The representatives of 44 nations, after examining many alternatives, decided that the Fund and the Bank, as presently drafted, represent the most workable and generally acceptable plan for the solution of the world's monetary and financial problems;
- (b) The alternative to the principle of cooperation is economic isolationism which destroys trade, reduces living standards, and is a major factor in making wars;
- (c) The failure of international cooperation in the field of monetary relations will seriously jeopardize, if not render impossible, international cooperation in other fields of economic relations. If the world fails in solving its international economic problems, it will fail in solving its political problems. The price of such a failure is another world war.]

Conference in Secretary Morgenthau's Office
August 19, 1944, 3:45 P.M.

Present: Secretary Morgenthau
Mr. Brand
Sir Wilfrid Eady
Mr. White

Mr. Eady said that he had wished to call on the Secretary to bid him goodbye. He and the rest of the Bretton Woods party were returning the following evening by plane for London. Lord Keynes was coming and leaving for England that night. The Secretary said that he regretted that he would not be here to see Lord Keynes inasmuch as he would not be in town.

There was an exchange of comments on the Secretary's visit to England and France. The Secretary said that he had had some very satisfactory conversations with Sir John Anderson, the Prime Minister and with Mr. Eden. Mr. Brand said yes, they had heard from Sir John Anderson about them.

The conversation ended with some general remarks on weather and doodle bugs.

H. D. White

August 19, 1944...
3:45 p.m.

FOREIGN FINANCIAL POLICY BOARD

Present: Mr. D.W. Bell
Mr. Caston
Mr. Luxford
Mr. Pehle
Mr. McConnell
Mr. Lynch
Mr. White
Mrs. Klotz

H.M.JR: I changed this thing here. (Refers to Attachment A)

I am working on this memorandum for the President in regard to the Foreign Financial Policy Board. I am just going to leave out this part, "In my opinion as Secretary of the Treasury," and so forth - I am just going to leave out that reference. "I therefore recommend that you establish a Foreign Policy Board upon which the interested agency will be represented." Leave it in the order--

MR. LUXFORD: Yes.

MR. BELL: We took it out of the long memorandum, didn't we? It wasn't taken out of the short one.

H.M.JR: You see, this thing fits in with something else which I had a chance to discuss with the President today, and I would like to get this to him, even though it may not be perfect.

Anything else for me to do there?

MR. BELL: Well, this is the long memorandum that goes to the President explaining more in detail and giving some reasons why--

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(Mr. Bell hands the Secretary Attachment B)

H.M.JR: Let me just take a minute, now.

The thing which is left out of here, which came up today in connection with Harry Hopkins last night - this is very much in the room - they were about to pass on a big military appropriation for '45 for England. Churchill cabled London - you must never mention any of this - and he knew fairly well about it. He called me last night and he thought, in view of what I had in mind, any big arrangements with the English will be postponed until we had a look at the whole business. But this doesn't mention that. But I can explain to the President that this was done prior to my going to England. I think that time is essential.

MR. BELL: We did not write out a lot of examples or instances that we had, because we thought we had better not.

H.M.JR: I gave you plenty today.

MR. BELL: It is better to do it that way than put it down on paper.

H.M.JR: He is very much interested in something like this. So I think - having a chance to see him, I think I had better give him this and tell him this was done beforehand.

What do you people think?

MR. GASTON: Yes, I think so.

MR. PEHLE: Strike while the iron is hot.

H.M.JR: Well, they moved last night. They told the English to please withdraw all military requests.

MR. BELL: For what?

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H.M.JR: For '45.

MR. BELL: For Lend-Lease?

MR. GASTON: I think you could say that this doesn't have half what is in my mind, but I gave the boys an idea before I left.

H.M.JR: Well, I can say that this was drawn up on ~~an~~ account of the mess with Holland and others.

MR. BELL: France.

H.M.JR: I think, unless somebody knows some reason why--

MR. BELL: What is he liable to do with it?

H.M.JR: I will ask him.

MR. BELL: He will say, "I will take it and read it." Where does it go from there?

H.M.JR: Apt to go to Sam Rosenman.

MR. BELL: Or Jimmy Byrnes?

H.M.JR: Well, I could steer it, maybe.

MR. GASTON: Sam is the reorganizer, isn't he?

H.M.JR: Reorganizer is the word, Mr. Gaston.

MR. LUXFORD: This draft does not include the War Department.

MR. PEHLE: There is some disagreement here as to whether we could get away with leaving the War Department out of there.

H.M.JR: It should be in.

MR. PEHLE: It isn't in there.

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MR. LUXFORD: There was a good deal of discussion about that, Mr. Secretary. A lot of people felt they would be interested in specific items.

H.M.JR: Here is this military Lend-Lease running into billions.

MR. LUXFORD: Granted that there are a number of international loans in which they will have no interest. Now, the order does provide for any Department participating in problems where they have an interest, and you have problems involving every Department at some point or other. But there is no need of having them all in on all the policy--

H.M.JR: FEA, State, Treasury, War, and Navy, you say?

MR. LUXFORD: Is War in there?

H.M.JR: This is the memorandum.

MR. LUXFORD: I will have to look at that.

MR. PEHLE: But it is not in Executive Order, Mr. Secretary. (Refers to Attachment C)

H.M.JR: Shipping Board, for instance--

MR. LUXFORD: It will have every Department in the Government in on financial policy unless you use some process of saying that we will call them in when they are interested in the problem.

H.M.JR: I personally think I would leave it this way, saying that this was drafted before I went abroad. Now, I could point out that the War Department isn't in.

MR. LUXFORD: Commerce isn't in, either.

MR. BELL: War Department is certainly interested in the present phase, and they will be interested in the

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immediate post-war - that is, reparations, and things of that kind.

H.M.JR: The mood he was in today, I think he is very apt to do this, because he needs it very badly.

MR. BELL: If you put in War, do you have to put in Navy, also?

H.M.JR: I will tell you, this may not be perfect, but I am going to use my own hunch and get this thing to him tonight, I think.

MR. BELL: Are you going to add any note of caution or warning, that you would like to see it again before he does anything with it, or--

H.M.JR: Dan, how long were you Acting Director?

MR. BELL: That is the reason I am asking the question. I want to know in whose lap it winds up. That will kill it. If it doesn't get into the right channels, it is killed.

H.M.JR: You don't know, sometimes you are surprised. Putting the warning in doesn't help, or saying we would like to take another look at it.

MR. WHITE: You have to expect that memorandum will be circulated among the heads of all Departments.

MR. PEHLE: It isn't always.

MR. WHITE: I don't think there is any doubt of that.

MR. LUXFORD: Not all orders are handled that way. It depends on how big a hurry they are in.

H.M.JR: Look, gentlemen--

MR. BELL: Well, they violated the order, then, if they didn't.

H.M.JR: Look, gentlemen, nothing is perfect. I think I want a little speed.

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MR. PEHLE: That is not a memorandum we would be ashamed to see go around.

MR. LUXFORD: No, we took out the critical part.

H.M.JR: I will give him this tonight.

MR. BELL: There isn't a real need for the short one.

MR. PEHLE: But the President is really interested in this thing?

H.M.JR: Yes, I think so.

MR. BELL: It is a bombshell.

MR. PEHLE: Real progress.

MR. WHITE: You said that they had stopped the requests for Lend-Lease from the British. Who is the "they" that you referred to, the British?

H.M.JR: Mr. Harry Hopkins called me up last night and asked if I thought, in view of the things which I had in the works, it would be all right to tell the Munitions Board, of which he is Chairman, to please tell the British to withdraw their requests for the time being for their 1945 needs. He thinks it should be settled on a plane other than by a General.

MR. WHITE: Are they going to communicate to the British the reason why they are asking them to withdraw?

H.M.JR: I gathered it is just an inappropriate time. The point is the question of the British wanting to make a deal for the munitions they need after the Germans collapse. How much would the British produce at home, and how much would we produce - that is, how much would be cut down? It worked out they would cut down ten percent and we would cut down forty percent.

MR. McCONNELL: What does that do to Lend-Lease - cut it down?

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H.M.JR: He was talking about production of munitions.

MR. McCONNELL: Would our cut of forty percent - would that leave Lend-Lease in the same proportion?

H.M.JR: I think so.

MR. BELL: That will shock them, won't it?

H.M.JR: Yes, and I will get the blame for it. That is all right. The reason I think it is all right is if it removes this, and they say, "We will not remove this until we get a look at the whole picture" - the suggestion I make is Sir John Anderson for this Board. Are you there, Harry?

MR. WHITE: I think they will tie it up with your return, rightly - after what you said.

H.M.JR: Do you know what his nickname is? 'Alf Crown 'Arry.

MR. WHITE: Behind which lies a story - not very good.

H.M.JR: All right.

C
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P
Y

August 19, 1944

MEMORANDUM TO THE PRESIDENT

As preparations go forward in anticipation of the end of the war in Europe, it is becoming increasingly urgent for the various foreign financial activities of the U.S. Government to be fully coordinated and responsibility centralized. At the present time there is no formal coordination and responsibility is scattered and not definitely placed anywhere in the government.

I therefore recommend that you establish a Foreign Financial Policy Board upon which the interested agencies would be represented.

This Board should have responsibility for formulating, under your direction, the policy of this Government on all financial problems with foreign governments. The Board would, of course, conform its policy to the foreign policy of the United States as determined by the Secretary of State, and would not disturb the present operational responsibilities of the various agencies of the government. Moreover, the financial policy in the international field would be coordinated with the domestic fiscal policy of this Government.

A draft of an Executive Order embodying these principles is attached. There is also attached another memorandum explaining in detail the need for establishing this Board.

(Signed) Henry Morgenthau, Jr.

C
O
P
Y

August 19, 1944

MEMORANDUM TO THE PRESIDENT

This memorandum is in further explanation of the urgent need for the establishment of a Foreign Financial Policy Board to coordinate and direct the international financial policies of the Government.

1. At the present time there is no single agency of the Government which has the clearly defined responsibility to formulate, coordinate, or direct, the foreign financial policies of this Government. FEA, State, Treasury, War and Navy operate on problems which have financial aspects, but there is no agency which ties up the various financial elements into a consistent whole. Thus, we are unable to negotiate effectively with foreign governments.

As a consequence foreign governments exploit and intensify the differences between agencies and officials of this Government for their own advantage and to the detriment of our policies.

2. The need for coordination of our financial relationships is becoming acute with the approaching end of hostilities in Europe.

- (a) We are now in the process of making provisional financial arrangements with the occupied countries of Europe and as these countries are liberated the financial problems will take on great importance touching a large number of U.S. agencies.
- (b) The financial aspects of Lend-Lease must be integrated with the provisional financial arrangements involving military expenditures, and with the plans for international financial cooperation after the war.

- 2 -

- (c) We must begin preparation now for the ultimate financial settlements (including reparations) which we will need to make with the countries of Europe for the costs of the war. These preparations must be integrated with all the other financial relationships if the U.S. policy is to be carried out effectively.
- (d) The first overtures have been made by foreign countries to borrow money through commercial channels in the United States. If we are to avoid the catastrophies of international finance of the 1920's this policy will need to be coordinated with all financial relationships.
- (e) Another problem which is already beginning to appear is that of handling the proceeds of the sale of surplus property abroad. If we are to protect U.S. interests and obtain for the United States a fair return on this property the financial negotiations must be coordinated with other financial negotiations.
- (f) We have under Treasury control over \$7 billion of blocked assets belonging in the main to the countries of Europe. The release and disposal of these assets must be coordinated with our other foreign financial policies.

3. There has been several recent episodes which indicate what can be done when responsibility and authority on financial policy are definitely placed. These episodes cover only a small part of the rapidly developing foreign financial picture, and by contrast indicate the weakness of the present organization of our government to meet the difficult financial problems now arising.

- (a) Bretton Woods Conference was an outstanding example of full coordination between the various agencies of the Government, Congress and even private interests under a single direction. The success of the Bretton Woods Conference was mainly due to the smooth working of the American Delegation after the President centralized authority in a single head.

- 3 -

- (b) Negotiations with the French have been conducted by an informal and spontaneous committee of War, State, Treasury and FEA, in which Treasury has been the coordinating agency for all financial questions. After getting off to a bad start because of uncoordinated negotiations the French have had with various agencies of our Government, the negotiations were successful only after proper coordination was established.
- (c) The negotiations with Canada on termination of Lend-Lease and disposal of outstanding financial questions was another example of the smooth and effective negotiation when a single agency has been given the responsibility and, at the same time, is answerable to the other interested agencies.

To my mind, the attached draft of Executive Order will permit the type of policy coordination needed in the foreign financial field and, at the same time, avoid the establishment of another agency at the operation level.

EXECUTIVE ORDER
ESTABLISHING A FOREIGN 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 financial problems, it is hereby ordered as follows:

1. There is hereby established the Foreign Financial Policy Board (hereinafter referred to as the Board). The Board shall consist of representatives of the Department of State, the Treasury Department, the Office of Economic Stabilization, the Bureau of the Budget, and the Foreign Economic Administration. Such representatives will be designated by their respective agencies and the Secretary of the Treasury shall be Chairman of the Board.
2. The Chairman of the Board shall request the heads of other agencies and departments to be represented in the Board's deliberations whenever matters specially affecting such agencies or departments are under consideration. It shall be the duty of all agencies and departments to supply or obtain for the Board such information and to extend to the Board such assistance and facilities as the Board may require in carrying out the provisions of this Order.

- 2 -

3. It shall be the function of the Board, acting subject to the direction and control of the President:

(a) To develop unified programs and to establish policies with respect to the financial relationships between this Government and foreign governments.

This will include, without limitation, (i) the financial aspects of reparations and settlement of the costs of the war, (ii) currency and payment agreements and the financial aspects of general economic agreements and treaties, (iii) financial questions involved in lend-lease and lend-lease settlements, (iv) international loans and other financial aid, (v) financial aspects of the disposal of surplus military stocks abroad and proceeds therefrom, (vi) financial questions involved in governmental activities in the field of foreign buying or selling.

(b) To arrange for the unification and coordination of the activities of the Federal Government relating to foreign financial affairs.

4. All action of the Board shall be in conformity with the foreign policy of the United States as determined by the Secretary of State.

5. Nothing contained in this Order shall remove the responsibility or authority of each executive department or agency for carrying out its own functions and

- 3 -

operations but such functions and operations shall be carried out in accordance with the over-all foreign financial policies formulated by the Board.

6. The Board shall report to the President at frequent intervals concerning its activities and shall make such recommendations to him as the Board may deem appropriate.

7. All prior executive orders insofar as they are in conflict herewith are amended accordingly.



THE SECRETARY OF THE TREASURY
WASHINGTON

MEMORANDUM TO THE PRESIDENT

As preparations go forward in anticipation of the end of the war in Europe, it is becoming increasingly urgent for the various foreign financial activities of the U.S. Government to be fully coordinated and responsibility centralized. At the present time there is no formal coordination and responsibility is scattered and not definitely placed anywhere in the government.

I therefore recommend that you establish a Foreign Financial Policy Board upon which the interested agencies would be represented. ~~In my opinion, the Secretary of the Treasury should be named chairman since Treasury has prime responsibility for protecting the financial interest of the U.S., but you may wish to place the chairmanship under another agency of the Government. In any event, the chairmanship of the Board is secondary to the major question of coordinating and obtaining single direction of financial policies.~~

This Board should have responsibility for formulating, under your direction, the policy of this Government on all financial problems with foreign governments. The Board would, of course, conform its policy to the foreign policy of the United States as determined by the Secretary of State, and would not disturb the present operational responsibilities of the various agencies of the government. Moreover, the financial policy in the international field would be coordinated with the domestic fiscal policy of this Government.

A draft of an Executive Order embodying these principles is attached. There is also attached another memorandum explaining in detail the need for ~~the~~ establishing ~~of~~ this Board.



August 19, 1944

I gave the President the memorandum on setting up a new finance committee, and he seemed very much pleased with it, and said he would take it up with Mr. Hull. I asked him whether he didn't want to give it to somebody to study and he said rather brusquely, "No, the only person I would discuss it with would be Mr. Hull."

August 19, 1944

My dear Mr. Kesten:

On my return from abroad, I find your very nice letter of July 31st. I am glad to have a first-hand explanation from you as to just what did happen in connection with the broadcast at Bretton Woods.

You might be interested to know that Ed Murrow of your London office was most helpful in assisting me in my broadcast from London. I think you are very fortunate in having Mr. Murrow there as your representative.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Paul W. Kesten,
Executive Vice President,
Columbia Broadcasting System,
485 Madison Avenue,
New York 22, New York.

COLUMBIA BROADCASTING SYSTEM, INC.

485 MADISON AVENUE, NEW YORK 22, N.Y.

WICKERSHAM 2-2000

PAUL W. KESTEN
EXECUTIVE VICE PRESIDENT

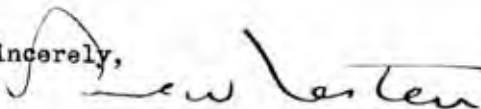
August 10, 1944

My dear Mr. Secretary:

Let me thank you cordially for your good note of August second, with its generous praise for the work our people were able to do in behalf of the Fifth War Loan Drive.

As I know you will realize after you have caught up with my lengthy letter of July thirty-first, we shall not be entirely happy until we know that you understand the predicament in which we found ourselves on the Bretton Woods broadcast.

Sincerely,



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

25

August 2, 1944.

Dear Mr. Kesten:

Since Mr. Morgenthau is away from Washington, I am acknowledging your letter of July 31.

I know that he will much appreciate what you say of the recent talk he gave on the radio, and also will be interested in your other comments. I am forwarding your letter to him in order that he may have an opportunity to read it without waiting until he returns to Washington.

Sincerely yours,

(Signed) H. S. Klotz
H.S.K.

H. S. Klotz,
Private Secretary.

Mr. Paul W. Kesten,
Executive Vice President,
Columbia Broadcasting System, Inc.,
485 Madison Avenue,
New York 22, New York.

GEF/dbs

Copy to [unclear] at 52
from 8/10/44.

COLUMBIA BROADCASTING SYSTEM, INC.

485 MADISON AVENUE, NEW YORK 22, N.Y.

WICKERSHAM 2-2000

PAUL W. KESTEN
EXECUTIVE VICE PRESIDENT

July 31, 1944

My dear Mr. Secretary:

I keenly enjoyed listening to your talk on the CBS network a week ago Saturday night, and do want to congratulate you on the force and clarity of your remarks, as well as on your great personal triumph in bringing final agreement out of the many diverse views with which the monetary conference was confronted.

May I take this occasion also to confess to you my embarrassment over the confusion and collapse which attended our efforts to present a half-hour broadcast earlier in the same week?

For many years we have felt very deeply that in presenting great public issues to our listeners, especially issues subject to final resolution by the Congress, we should deny ourselves some of the most tempting techniques familiar to the entertainment side of radio. We have felt, Mr. Secretary, that such public issues should be presented directly, sincerely, by qualified spokesmen both pro and con -- rather than to be decked out as radio drama or embellished with emotional fiction.

Our firm belief in this general premise is based on the fundamental danger that the molding of public opinion might otherwise become merely a war of rival dramatists. This would throw the decision to the side which could hire the most talented scribblers and the most persuasive actors rather than letting the decision come from an enlightened electorate which had been given all the facts, clearly and soberly, and had made up its own mind.

Page two

Because we have adhered to that policy for many years it was particularly distressing to find that after a week of collaboration with your people in Bretton Woods, one of our own writers, whose heart is unmistakably in the right place, had prepared a script which went far afield. Far from a non-partisan presentation of the issues which hung in such grave balance, we were confronted with a script in which the issues were wrapped up in fantasy, festooned with emotionalism, fictionalized as to character, and served piping hot with sound effects.

I don't know if you read the script, as I did, but I want you to know that we all deeply regret the schism which it represented between carefully considered public policy and the end result of this particular creative process. I trust you know that in deciding we could not use the imaginative script as it was prepared, we urged nevertheless that you use the original time reserved, presenting direct statements from yourself and your distinguished international colleagues, and that when this offer on our part was declined, we offered the Saturday time, which we were happy to have you use.

All of us at CBS have been so proud of our relationships with the Treasury Department in the vital work which we have helped to carry on during the war, that it would be intolerable to us to have any misunderstanding over this recent incident diminish the closeness or impede the effectiveness of those relationships.

I have written to you directly about this to be sure that you understood what had happened, and to let you know that public interest, and not whim or prejudice, prompted our position.

Sincerely,

Paul W. Testen

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

AUG 19 1944

My dear Mr. Hancock:

I wish to add my personal note of appreciation to the acknowledgment, which already went forward during my absence from the country, for your gracious letter of August 9.

You are to be commended for your diligent and constructive service to the country in pressing forward toward the solution of many of our difficult demobilization problems.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. John M. Hancock,
Office of War Mobilization,
Advisory Unit for War and Post War
Adjustment Policies,
323 Washington Building,
Washington 25, D. C.

TJL:rgs
8/18/44

25

August 12, 1944.

Dear Mr. Hancock:

Your letter of August 9, commending the various members of the Treasury staff with whom you have worked, reached this office during Mr. Morgenthau's absence from the country. You may be sure that I shall bring your communication to the Secretary's attention immediately upon his return to his desk, and meanwhile, I am sure he would wish me to thank you for your courtesy in writing him as you did.

Sincerely yours,

(Signed) H. S. Klets

H. S. Klets,
Private Secretary.

Mr. John M. Hancock,
Office of War Mobilization,
Advisory Unit for War and Post War
Adjustment Policies,
225 Washington Building,
Washington 25, D. C.

GRF/dbs

56
Mr. Lynch
177

OFFICE OF WAR MOBILIZATION

ADVISORY UNIT FOR WAR AND POSTWAR
ADJUSTMENT POLICIES
323 Washington Building
Washington, D.C. 25

James F. Byrnes
Director

Bernard M. Baruch
John M. Hancock

August 9, 1944

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

My dear Mr. Morgenthau:

In connection with the winding up of my duties on the Contract Termination problem, may I mention the very fine constructive attitude shown throughout the work by the men of your staff who have been assigned to the various problems. A personal note of thanks has gone to each of them. May I also thank you for the opportunity to work with you and for the very interesting experiences I have had in connection with it. If Mr. Hinckley can have the same support I have enjoyed the job should be done to the credit of all concerned.

Sincerely,

John M. Hancock
John M. Hancock



25

AUG 19 1944

Dear *Fred* Judge:

Mr. Gamble has discussed with me the matter of the economic advertising program, "Planned Spending and Saving," which O.W.I. contemplates putting out in cooperation with the banks of the country.

I have approved this program and have authorized Mr. Gamble to spend up to \$15,000 of his funds for this purpose.

Sincerely,

(Signed) Henry

Honorable Fred M. Vinson
Director and Chairman
Economic Stabilization Board
Washington, D. C.

DWB:NLE
August 18, 1944

Treasury Department
Office of the Under Secretary

Date: Aug. 18, 1944

To: MR. BELL

From:

The Secretary has approved the request of Judge Vinson and wants you to prepare a letter for his signature putting this in proper form. He would like to have it by tomorrow.

OFFICE OF
THE SECRETARY OF THE TREASURY

August 17, 1944

MEMORANDUM

JUDGE VINSON ASKS YOU TO APPROVE SPENDING \$15,000 OF WAR FINANCE APPROPRIATIONS FOR AN ECONOMIC ADVERTISING PROGRAM CALLED PLANNED SPENDING AND SAVING WHICH O.W.I. IS PUTTING OUT IN COOPERATION WITH THE BANKS.

JUDGE VINSON'S OFFICE INDICATED THAT GAMBLE HAD APPROVED THIS EXPENDITURE.

GAMBLE SAYS THE IDEA IS GOOD, BUT THAT VINSON SHOULD DISCUSS IT WITH YOU PERSONALLY.

HOWEVER, THE JUDGE'S ASSISTANT SAID WHEN HE CALLED THAT JUDGE VINSON WAS NOT FEELING WELL. OTHERWISE HE WOULD ASK TO SEE YOU ON THIS.

THE DEADLINE FOR GETTING THE PROJECT UNDER WAY IS SEPTEMBER 1.

(FROM PAUL KELLY, VINSON'S ASST.)

E.J.F.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 17, 1944

TO: Mrs. Klots

FROM: Ted R. Gamble

T.R.G.

The Secretary asked to be reminded Friday morning of a phone conversation I had with him Thursday afternoon late. Conversation was in regard to a request of Mr. Fred Vinson's that the War Finance Division aid the Economic Stabilization program through the supplying of mats and one printed piece of literature to promote a spending and savings campaign being sponsored by Economic Stabilization. Campaign features in every advertisement the wisdom of savings through the purchase of War Bonds and it is my judgment that we could very properly supply these few items to Mr. Vinson. Campaign has my complete approval and I think it will be in order for the Secretary to advise Mr. Vinson that we will cooperate with him.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 19, 1944

TO Secretary Morgenthau

FROM Mr. White

1. Warren A. Seavey, the author of the attached letter, is a Harvard professor of law with a reputation for being liberal in politics and strongly in favor of international cooperation. He is reported to have been vigorously interventionist in the period before we entered the war.

2. The single New York Times reference to his activities reports that in 1942 he opposed the nomination of Thomas J. Meaney for New Jersey Federal District Court because Meaney was a member of the Hague organization.

Life History:

Born August 14, 1880

1902-1904 Harvard, A.B., L.L.B.

1927 University of Nebraska, L.L.D.

1904-1906 Practiced Law in Boston

1904-1911 Professor of Law, Imperial Pei Yang University, Tientsin, China

1912-1927 Professor of Law at the following Universities: Oklahoma State, Tulane, Indiana, Nebraska, and Pennsylvania.

1917-1919 Active duty in France

1919 Director of College of Law, American Expeditionary Force University, Beaume, France.

1927 to the present Professor of Law at Harvard University.

*Joe O'Connell please
speak to me. 11/11/44*

War Curb for Germany Urged

Opportunity for Economic and Military Supremacy Might Be Removed

TO THE EDITOR OF THE NEW YORK TIMES:

Arthur Krock's column in THE TIMES of Aug. 4 accents the economic control necessary to prevent the recrudescence of the Nazi horror. Too much emphasis cannot be placed upon this point. The economic supremacy which the Nazis acquired through their mechanical ability, their coal and their iron, alone made conceivable their attempt to conquer the world. To this the Germans have attempted to add a biological supremacy by the destruction or moral corruption of the leaders of the rest of Europe. In this they have had a success as great as that of their initial military conquest which made the attempt possible.

Most of us have regretfully come to realize that the Nazis merely perfected the German ideas of conquest and the Fuehrer principle; that whatever their form of government may be, we cannot trust the Germans to be internationally law-abiding for at least a full generation, and that during this period they must be subject to strict control. Our experience in international collaboration has not led us to believe that it is likely to be continuously effective for the period necessary to root out the Geyman will for conquest.

Ban on Raw Materials

The alternative is to make Germany militarily incompetent. Again, experience shows us that this result cannot be reached merely by destroying the weapons or the German Army. It can be done only by depriving the Germans of the economic base by which they can achieve the building of the materials essential for war. The robot bombs are but the latest illustration of the fact that a mechanically ingenious people can cause untold hardship to others in ways not previously anticipated. Only by depriving the Germans of the raw materials, the machines and the "know how" can we terminate this menace to the future peace of the world.

The plan suggested by Paul Einsig and publicized by Mr. Krock has one serious defect, which is that it still leaves the industries to be operated by the Germans, who would therefore have on their own soil the materials, machines and skills necessary for the building of armament. Also the plan relies upon the continued cooperation of nations to enforce it.

We must go farther. By making separate units of the Saar and the Ruhr or attaching them to other countries, Germany will be deprived of its basic iron. By destroying the physical machines now used in Germany in the heavy industries, including those used in the manufacture of synthetic gasoline and other essential chemicals, and by establishing such industries in other countries, we can give to other countries of Europe a chance to acquire the supremacy which the Germans have had in the past. In this there will not be great economic loss, since although Germany has large quantities of coal, this coal can be sent to the factories in other countries.

Period for Reconstruction

Such a plan would, it is true, make a poorer Germany and would work hardship upon the comparatively small number of Germans who have been opposed to the Nazis. But it would not permanently impair the industry of Europe as a whole and, if thoroughgoing at the beginning, would give the period necessary for the rebuilding of Europe devoid of fears of German supremacy.

With this should be a provision prohibiting the German rebuilding of the heavy industries. This is, of course, dependent upon international enforcement, which might be difficult to achieve after the comparatively few years in which the horrors which the Germans as a nation have perpetrated have passed from our minds. We can only hope that during this period the chance of conquest by Germany will be so remote that the German youth will lose its military fervor.

Such a plan eliminates the hope of reparations, but that is a slight hope in any event. Contrasted with the security which the world would obtain by the thoroughgoing destruction of German supremacy in the heavy industries, the price paid would be small.

WARREN A. BEAVEY,
Cambridge, Mass., Aug. 8, 1944.

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO.

With the compliments of British Air Commission
who enclose Statements Nos. 149 and 150 --
Aircraft Despatched -- for the weeks ended August
4th and August 11th respectively.

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

August 19th, 1944.

STATEMENT NO. 150

BRITISH/U. S. SECRET

Aircraft Despatched from the United States
Week Ended August 11, 1944

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>VEGA</u> Ventura	Canada	Canada			1
<u>CONSOLIDATED</u>					
Liberator B VI	M.E.	M.E.		1	
Liberator B VI	India	India		5	
Liberator B VI	Canada	Canada			5
Liberator GR VIII	U.K.	U.K.		6	
Liberator C VII	U.K.	U.K.		4	
<u>NORTH AMERICAN</u>					
Mitchell III	U.K.	U.K.		8	
Mitchell III	Bahamas	Nassau		4	
Mustang	U.K.	U.K.	22		
<u>DUGLAS</u>					
Boston IV	U.K.	U.K.		1	
Dakota III	India	India		13	
Dakota IV	U.K.	U.K.		1	
<u>BOEING</u>					
Catalina IV B	U.K.	U.K.		4	
<u>WACO</u>					
Glider	India	Calcutta	29		
<u>STINSON</u>					
Reliant	U.K.	U.K.		7	
<u>REPUBLIC</u>					
Thunderbolt P-47	India	Madras		11	
Thunderbolt P-47	India	Karachi		8	
Thunderbolt P-47	M.E.	Alexandria		10	
<u>BELL</u>					
Bell P-63	U.K.	U.K.		1	
<u>VULTEE</u>					
Vengeance	M.E.	Alexandria		1	
<u>BEECH</u>					
Beechcraft UC-45	India	Karachi		3	
			<u>TOTAL:</u>	<u>92</u>	<u>47</u>
					<u>6</u>

Movements Division
British Air Commission

August 18, 1944

msb
File V-17

STATEMENT NO. 149Aircraft Despatched from the United States
Week Ended August 4th, 1944.

BRITISH/U. S. SECRET

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>CONSOLIDATED</u>					
Liberator B VI	M.E.	M.E.		11	
Liberator B VIII	M.E.	M.E.		1	
Liberator GR VIII	U.K.	U.K.		10	
Liberator C VII	U.K.	U.K.		1	
Sentinel	India	Karachi	20		
<u>NORTH AMERICAN</u>					
Mitchell III	U.K.	U.K.		27	
Mustang	U.K.	U.K.	17		
Harvard	U.K.	U.K.	5		
Harvard	M.E.	Alexandria	2		
<u>DOUGLAS</u>					
Dakota III	U.K.	U.K.		29	
Dakota III	India	India		1	
<u>BOEING</u>					
Catalina IV B	U.K.	U.K.		4	
<u>NOORDUYN</u>					
Harvard	U.K.	U.K.	4		
<u>VOUGHT-SIKORSKY</u>					
R-4B Helicopter	U.K.	U.K.	3		
<u>VULTEE</u>					
Vengeance	U.K.	U.K.	1		
Vengeance	M.E.	Alexandria	4		
<u>BEECH</u>					
UC 45 Beechcraft	N.W. Africa	Algiers	8		
<u>FAIRCHILD</u>					
Argus	N.W. Africa	Algiers	7		
Argus	India	Karachi	8		
<u>GRUMMAN</u>					
Avenger	U.K.	U.K.	1		
Hellcat	U.K.	U.K.	2		
<u>Republic</u>					
Thunderbolt	India	Karachi	8		
			Total:	90	84
					0

Movements Division
British Air Commission

August 8, 1944

mmh
File V-17

Regraded Unclassified

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



OFFICE OF THE
EXECUTIVE DIRECTOR

August 19, 1944

MEMORANDUM

TO: Secretary Morgenthau
FROM: J. W. Penle

The attached cable from Hirschmann gives the details of the sinking off the coast of Turkey on August 5 of the Turkish vessel MEFKURA, with the loss of 246 refugees. There were only five survivors.

If anyone needed further proof as to the German attitude toward rescue operations, here it is. We are making the facts public.

A handwritten signature in black ink, appearing to be "J. W. Penle". The signature is written in a cursive, somewhat stylized hand.

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

67
DIVISION OF
COMMUNICATIONS
AND RECORDS

GEK-302

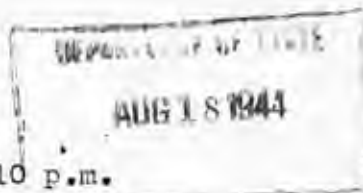
This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (RESTRICTED)

Ankara

Dated August 15, 1944

Rec'd 6:50 a.m. 17th.

Secretary of State,
Washington.



1493, August 15, 10 p.m.

FOR PEHLE WRB FROM HIRSCHMANN

Ankara's NO. 133

Three hundred ninety-five passengers from the SS BULBUL and five from the illfated MEFKURA arrived in Istanbul by rail from Cherkaskoy. They were quartered in a school in Istanbul. They were brought over the mountains by oxcart from Igneada to Vize, a distance of about 40 miles. The women and children rode, the men walked. The remainder of the trip was made by trucks to Cherkaskoy and thence by train to Istanbul.

The MEFKURA survivors report the following information regarding the sinking of MEFKURA: Shortly after midnight on August 5 the MEFKURA was approached by three surface craft of the length of two railway cars with flat shallow draft bottoms and armed with small cannon and machine guns. They were considered to be German.

-2- #1493, August 15, 10 p.m., from Ankara

German boats since they had silhouettes similar in appearance to those boats which had been seen in Constanza harbor. The three boats opened fire on the MEFKURA with cannon and machine guns. One of the first shots landed in the machinery room of MEFKURA exploding the machinery. The ship was set on fire by incendiary bullets. A large number of passengers were wounded on the boat itself by machine gun fire; others were caught in the flames or injured by bits of flying machinery. Many passengers donned life preservers and jumped overboard. The machine gun fire continued upon the passengers while they were in the water. The sea was stormy, otherwise it is believed that a larger number of passengers might have been saved.

According to BULBUL passengers, the BULBUL was not in sight of the MEFKURA during the attack. Later it was approached by the armed boats and its engines were stopped. It stood by until daylight and picked up the survivors of the MEFKURA who could be found. The survivors by that time had been in the sea for four hours. For an unaccountable reason, the armed boats left while it was still dark and did not open fire upon the BULBUL. The BULBUL continued its

voyage

-3- #1493, August 15, 10 p.m., from Ankara

voyage with the MEFKURA survivors aboard toward Istanbul. It came within 300 meters of the Black Sea entrance of the Bosphorus but was unable to enter the Black Sea on account of the stormy seas. It sailed back along the Turkish shore to Igneada before safe anchorage was found.

The number of passengers from the EULBUL are approximately 395 including 214 men, 137 women and 44 children. Among them were two pregnant women and two children who had developed pneumonia who were taken Balat hospital, Istanbul. The two mothers of the two children were sent to the hospital to be with them. Except for these, all the passengers are scheduled to proceed to Palestine by rail August 15.

The rescue operations were conducted under supervision of the Turkish Red Crescent, and all expenses will be defrayed by the War Refugee Board. When more detailed information is available, a full report will be sent to you by mail.

KELLEY

JMS IMS

ORIGINAL TEXT OF TELEGRAM SENT

TO: American Embassy, London
FROM: Secretary of State, Washington
DATED: August 19, 1944
NUMBER: 6611

CONFIDENTIAL

Pehle sends the following for Ambassador Winant.

I would appreciate your making DuBois familiar with the contents of cable 6521 of August 14 from Embassy. We will forward to you shortly, our views on the British position in this matter.

HULL

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

August 19, 1944

Midnight

SECRET "W"

AMREP,

ALGIERS.

2450

The following cable for Saxon is WRB 45.

Please refer to your 2583 of August 4 requesting instructions whether you are authorized to accept, chargeable to the War Refugee Board, messages from private relief organizations for transmission to the United States and other destinations.

Since the Executive Order establishing the War Refugee Board authorized cooperation with private relief organizations, our practice has been and is to make our wire facilities available to them when for some compelling reason they cannot send their messages through private cable companies or it is not feasible to do so. However, the private relief agencies and not (repeat not) the War Refugee Board are expected to pay the cable charges for such messages. Accordingly, you are instructed to follow our practice.

HULL
(GLW)

WRB:MMV:KG
8/19/44

WE

AF

A-704

RESTRICTED

5:55 p.m.

August 19, 1944

AMEMBASSY,

PANAMA.

Reference made to your 84 of July 14.

Please inform the Foreign Minister of Panama that the Department and War Refugee Board appreciate the offer of economic aid in the emergency refugee sheltering program made by Panamanian note 961 of July 10.

HULL
glw

HULL

WRB:MMV:KG
8/18/44

CCA

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: AMEMBASSY, Asuncion
DATED: August 19, 1944
NUMBER: 265

SECRET

It is reported by the Embassy at Madrid that informally the Spanish Foreign Office has expressed the willingness of the Government of Spain to cooperate in facilitating an exchange of German nationals in Paraguay for individuals in German-occupied territories bearing Paraguayan papers. The representative of Paraguay, however, has not received any instructions in the matter from his Government.

Although Madrid has been advised that the Government of Paraguay has empowered this Government to act on its behalf in this matter, nevertheless, the Department is of the opinion that it would be helpful if the Government of Paraguay would appropriately advise its representative at Madrid and give him instructions not only formally to notify the Spanish Foreign Office but also to cooperate with the representatives of America and to give the support necessary in this regard.

The Government of Paraguay, it would appear, has been relying mainly upon the Spanish Minister at Asuncion to picture to the Government of Spain its concern for the persons in enemy territory who own Paraguayan passports and that the representative of Paraguay therefore may have failed to receive indoctrination concerning his Government's interest in the matter. Naturally in the communications between the Paraguayan mission at Madrid and the Spanish Foreign Office such a situation would be reflected and could result in a less energetic attitude on the part of the representatives of Spain of the interests of Paraguay.

It is anxiously desired by the Department to ascertain what progress the Spanish Legation is making in its compilation of the lists of German nationals in Paraguay who wish to be repatriated.

HULL

SNP:RCE:SKL:AEC:JLL
PARAPHRASED:
DCR:EMS
8/25/44

MAE-72
Distribution of true
reading only by special
arrangement. (SECRET-W)

Lisbon

Dated August 19, 1944

Rec'd 10:30 a.m.

Secretary of State,
Washington.

2560, August 19, 11 p.m.

THIS IS WRB 159

REURTEL 2200, August 7.

Identical notes addressed to Foreign Office by
British and ourselves today embodying joint declaration
regarding Hungarian Jewish refugees. We intend to follow
up within a few days.

NORWEB

WTD

LMB

MAE-75
Distribution of true
reading only by special
arrangement. (SECRET W)

Lisbon

Dated August 19, 1944

Rec'd 10:18 a.m.

Secretary of State,

Washington.

2561, August 19, 11 a.m.

THIS IS WRB 158

Reference Spaniards in transit Mexico (REURTEL
1820, June 26).

First application airgrammed July 25 name Clara
de Quiros and daughter. No reply to date despite statement
in 1820 that clearance would be made within week.
Prompt service these transits imperative.

NORWEB

WTD

LMS

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Stockholm
DATED: August 19, 1944
NUMBER: 1683

CONFIDENTIAL

With reference to your cable of August 12, No. 3068, payment is authorized of 40959 kroner against receipted voucher.

With reference to your cable of July 5, No. 2457, the Department assumes that sum mentioned covers cost of evacuating 92 individuals. Therefore, cost of evacuation amounts to about \$106.51 per capita.

Each non-official American adult (so far as Americans are concerned) should be required to sign a promissory note for a sum equivalent to existing cost of transportation to Stockholm from Helsinki on route taken by Birger Jarl and half fare should be paid by children under the age of ten. The Government should absorb the difference and the accounts should carry notation to this effect.

Transportation Foreign Service, 1945 should be charged with cost of transportation of foreign service personnel.

Information as to the cost involved in evacuating the individuals in whom they are interested should be given appropriate missions in Stockholm, who should also be advised to ask their Governments to make reimbursement for their full part of the expenses to the United States Government in dollars. Upon receipt of their names and confirmation that estimated cost per capita is correct, WRB will be asked to reimburse Department for monies advanced in behalf of refugees.

A list of the persons transported, separated into various classifications of nationals, showing individual and total cost, should accompany voucher submitted with accounts. The Embassy should forward to Department by separate despatch rather than taking up in regular accounts, any reimbursements received by them.

Hull

DCR:GPW
8/24/44

LC-180
Distribution of
true reading only by
special arrangement.

Secretary of State,

Washington.

3182, August 19, 3 p.m.

FOR WRB No. 74

The message contained in WRB 65 (Department's 1550
of August 3, 7 p.m.) will be delivered personally to
Wallenberg by First Secretary of Swedish Legation
Budapest who is temporarily here and will return to
Budapest in about a week. It was not considered
advisable to request Swedish Foreign Office to transmit
message of this nature.

Stockholm

Dated August 19, 1944

Rec'd 2:45 p.m.

JOHNSON

Stockholm
Dated August 19, 1944
Rec'd 9:28 a.m.

LC -390
Distribution of
true reading only by
special arrangement.
(SECRET W)

Secretary of State,
Washington.

3199, August 19, 11 p.m.

Second report of Evensen-Tranmael group has been received covering activities for July. Principal features summarized below and full reports going forward by pouch:

One. Group assisted in a variety of evacuation operations which brought approximately 1,000 Norwegians into Sweden during the month.

Two. Organization for maintaining 10,000 youths hiding in the Norwegian forests now well established, with good channels for food and clothing supplies, and plans are in readiness for their evacuation should it become necessary.

Three. Food packages, clothing, shoes and other critical supplies are being sent into families of prisoners, children and other groups in great need of assistance. In addition 125,000 Norwegian kronor have been sent into needy cases.

Four. Second installment of \$50,000 was received during July and balance on hand after July expenditures was 232,000 Swedish kronor and 161,000 Norwegian kronor. Third installment of \$50,000 was received in early part of August.

In general, it is clear that these Norwegian operations are progressing very well and that much is being accomplished.

Olsen is considering the possibility of transferring the vessels in Baltic operations over to Norwegian operations of a similar nature at such time as it becomes impossible to continue activities in the Baltic. Prospects of success would be extremely good to date approximately 600 have been evacuated from the Baltic countries through our facilities and a few hundred

more through the

Page 2. #3199 from Stockholm, dated August 19, 1944

more through the assistance of our rescue organizations in those areas. It does not seem likely however that these operations can be carried out much longer in the light of the military situation in the Baltic at which time the question arises as to the further use of the vessels provided they are not lost in the meantime. Your comments would be appreciated. This is our No. 754 WRB.

JOHNSON

WMB

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
 TO: American Legation, Bern
 DATED: August 19, 1944
 NUMBER: 2853

CONFIDENTIAL

FOLLOWING FOR MCCLELLAND:

1. Reference is made to your 5040 of August 5 section 3 near end.

The following is the substance of similar information contained in note of Hungarian Legation, Stockholm, to Swedish Foreign Office: QUOTE It was further ordered that future deportees for labor service will have right of supervision by Hungarian Red Cross representatives in order to avoid further charges of brutality. UNQUOTE

2. In view of issue involved, i.e. possible extermination of 400,000 Jews already said to have been deported, please suggest to Intercross the urgency of contacting Hungarian authorities and Hungarian Red Cross with a view to establishing immediate supervision of Red Cross over all camps to which Jews from Hungary have been deported in the past as well.

3. Please request Swiss Foreign Office to transmit to appropriate Hungarian officials a message in the following vein: QUOTE With further reference to Hungarian communication (referred to in your 5040 of August 5), the Government of the United States notes the explanation contained in said communication regarding Jews deported from Hungary to the effect that they have been INNERQUOTE placed at disposal of German Government as workers as was case for years for tens of thousands of workers of Hungarian nationality and Christian faith. END OF INNERQUOTE

In view of the policy of the German Government with regard to Jews, which, the U. S. Government assumes is well-known to Hungarian Government, the Government of the United States would appreciate a statement of such measures which have been taken and are being taken by Hungarian authorities to insure humane treatment of Jews placed at Germany's disposal and to safeguard them against starvation and other forms of persecution.

The Hungarian authorities will readily perceive that unless such measures are taken with respect to all Jews INNERQUOTE placed at disposal of German Government END OF INNERQUOTE the explanation offered would appear to be at utter variance with the facts and any cases of abuse will be imputed to those Hungarian authorities responsible for placing such Jews at Germany's disposal.

- 2-

Prompt response to the inquiry herein made is being awaited by the Government of the United States with extraordinary interest. UNQUOTE you may, of course, in-t ransmitting the foregoing to Swiss Foreign Office adjust language in your discretion.

THIS IS WRB CABLE TO BERN NO. 130.

HULL

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: August 19, 1944
NUMBER: 5389

SECRET

McClelland sends the following for Pehle, War Refugee Board.

Reference is made herewith to Department's cable of August 15, no. 2805.

I want to thank you for your kind and encouraging expression of appreciation for my work. It is regrettable that it has not been possible for me to obtain more far reaching results in our effort here in Switzerland to bring to safety people in danger of their lives in so many countries of Nazi-occupied Europe. Tangible results are difficult to achieve in view of the impossibility of direct relations with reliable contacts in enemy and enemy-occupied territory. During the coming critical months when Nazi repression promises to intensify in ruthlessness, our difficulties may increase. Nevertheless, the effort of our Government through WRB to help victims of Nazi persecution continues visibly to encourage a great many sorry tried people to hold out until effective relief can be brought to them.

HARRISON

DCR:VAG 8/21/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: August 19, 1944
NUMBER: 5391

CONFIDENTIAL

McClelland sends the following for the War Refugee Board.

In spite of information in Department's cable of August 16, no. 2816, I recommend remittance of part of funds through Minister Harrison as soon as possible. Clement and Erier are anxious to proceed.

Foregoing has reference to Department's 2631.

HARRISON

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: August 19, 1944
NUMBER: 5397

CONFIDENTIAL

McClelland sends the following for the War Refugee Board.

I will convey at once to ICRC Department's cable of August 17, No. 2836, with the urgent request that the matter be checked through the committee's channels. Also I have received several unconfirmed reports during the past 10 days that with the collaboration of the German "Feld Erlisei" the Gestapo has continued to deport small groups of Hungarian Jews especially from camps in provinces. We do not know the numbers involved. This seems to be purely German action. I will try to obtain confirmation also.

HARRISON

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: August 19, 1944
NUMBER: 5398

SECRET

MCCLELLAND SENDS THE FOLLOWING FOR WRB.

Department's cable of July 13, 1944, No. 2407, numbered Paragraph one, is referred to herewith.

I recommend that you urge the Paraguayan Government in particular (see our cable of July 14, 1944, No. 5418) to give the Spanish Government authority to extend through its Embassy at Berlin the shortly expiring Paraguayan passports which persons, especially those in Bergen Belsen camp, are holding. Several Jewish organizations and individuals have addressed to me desperate appeals calling to our attention the fact that Paraguayan passports held by many in Bergen Belsen were issued originally in 1942 and are due to expire soon.

With respect to the general question of representation by Spain of Paraguayan interests in German territory, it is claimed by Sternbuch of Union of Orthodox Rabbis that a telephone conversation with the Spanish Embassy in Berlin in mid-July revealed that even at that late date that Embassy had no knowledge of removal from Vittel of any persons holding documents issued by Paraguay. While we have not confirmed this fact, it seems fairly clear that the Spanish have never protected with much despatch or energy the holders of Paraguayan documents who are in German territory.

HARRISON

DCR:IDB:FB 8/22/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: August 19, 1944
NUMBER: 5421

CONFIDENTIAL

Reference is made herewith to your cable dated August 7, 1944, No. 2715.

In a letter dated August 16 it is requested by Judge Huber that there be transmitted to the Department the International Committee's deep gratitude for the statement contained in my August 11 letter which will be forwarded to the Government of Hungary at once by the Committee.

HARRISON

DCR:IDB:FB

AIRGRAM

SECRET

by Courier

FROM

Caracas

Dated August 19, 1944

Rec'd August 25

Secretary of State,

Washington.

A-701, August 19, 12:30 p.m.

Referring to secret despatch No. 5881 of May 9, 1944 concerning protection for the bearers of Venezuelan passports, Foreign Office has informed me under date of August 17, 1944 that the Swiss Legation in Caracas has just informed the Ministry for Foreign Affairs that the Federal Political Department at Bern has informed the German Government of the emphatic statement of the Venezuelan Government that passports issued by its officials to persons resident in Germany and German-occupied territories should be respected, whatever their religious beliefs may be.

FLACK

JF:er

SECRETOPTEL No. 270

Information received up to 10 a.m., 19th August, 1944.

1. NAVAL

Early yesterday one of H.M. Destroyers and M.T.B.'s damaged E-boats which attacked a convoy off DUNGENESS. A M.T.B. was sunk in collision off HARWICH 18th. Yesterday a U-boat was probably sunk by 11th Escort Group off LA PALLICE. A Sunderland carried out a promising attack off LORIENT.

2. MILITARY

FRANCE. East of the general line DREUX ORLEANS, 3rd U.S. Army patrols have pushed forward in some cases to within a few miles of suburbs of PARIS.

Intense fighting continues in many places inside the Pocket, the Western edge of which is now PALAISE PUTANGES ECOUCHE, the Eastern end being closed against any large scale movements. General picture this area yesterday one of immense destruction to German personnel and equipment.

North of PALAISE U.K. and Canadian forces, having crossed the DIVES, made a general eastward advance reaching a point eight miles S.W. LISIEUX.

SOUTHERN FRANCE. On the right, U.S. troops are on general line from just north THEOULE to Village les ADRETS. Further left they are advancing westwards unopposed towards CABASSE and are in contact with enemy one mile short of BRIGNOLES. Further south they are moving through CUERS towards SOLLIES PONT.

RUSSIA. Russians have made progress S.E. of TARTU and have forced the channel between Lakes PSKOV and PEIPUS. There have been strong German counter attacks west of SIAULIAI. Russians have captured SANDOMIERZ on west bank of VISTULA.

3. AIR

WESTERN FRONT. 18th. Offensive and escort sorties totalled about 3,500. Operations over FRANCE and BELGIUM by heavy bombers included:

Bridges over MEUSE - 570 tons; Fuel and ammunition depots round PARIS - 335; North of Ghent - 205; and at BORDEAUX - 120; airfields 650; aero-engine works north of METZ - 145; U-boat pens at LA PALLICE - 120; 8 launching sites and a supply depot - 890.

Medium bombers attacked numerous military objectives. Fighter bombers dropped 130 tons on transport in the PARIS area destroying (preliminary figures only):

Locomotives - 24; Seine barges - 17; tanks - 10; railway wagons - 196; motor vehicles including tank lorries - 500.

12 Mustangs (1 missing) met 60 German aircraft near BEAUVAIS and scored 16, 1, 3. Other German casualties total 16, 2, 8 in action and 49, 0, 19 on the ground. Ours - 32 aircraft missing.

18th/19th. 1033 aircraft despatched (4 missing): BREMEN 289; Synthetic oil plant STERKRADE 234; CONNANTRE Railway Centre 20 miles due South EPERNEY 124; Fuel dump north of GHENT 113; minelaying 11; bomber support, diversionary sweep and other tasks 225; Mosquitoes to BERLIN and elsewhere 37. Preliminary reports indicate BREMEN, STERKRADE, CONNANTRE and fuel dump GHENT identified visually and well concentrated attacks made, particularly at BREMEN where intense fires covering area estimated 4 miles by 1 1/2 were reported by reconnaissance after attack.

SOUTHERN FRANCE AND NORTHERN ITALY. During 24 hours ended 6 p.m. 17th incomplete reports state 864 sorties flown by R.A.A.F. aircraft. Targets included railway installations, motor vehicles and shipping.

RUMANIA. 18th. Fortresses and Liberators dropped 720 tons on oil refineries PLOESTI and in vicinity. Enemy casualties 9, 1, 0. Ours - 15 bombers, 1 escorting fighter missing.

YUGOSLAVIA. 18th. Escorted Liberators dropped 155 tons on airfield 35 miles N.E. BELGRADE.

4. HOME SECURITY During 24 hours ending 6 a.m. 19th, 34 flying bombs plotted.

Memorandum for the Secretary's files

Conversation with Lord Keynes, Sunday, August 20, 1944

Lord Keynes asked me to lunch with him, stating that he was in Washington only for the day en route to London. During the conversation he gave the following information:

1. He expected, until a few days ago, to remain in Washington to complete negotiations between the United States and the United Kingdom on the question of lend-lease goods to be sent to England and the amount of cutback to be programmed in England for the period between the defeat of Germany and the defeat of Japan. However, a few days ago he had received word to come at once to London. He presumed that change in his plans was related to conversations which the Secretary had had in London, word of which he had received.
2. He had spent a busy few weeks in Canada on financial problems. He feels that they have reached a satisfactory settlement of Canada's aid to the United Kingdom for the rest of this year. He did not indicate the nature of the settlement but implied that it involved a gift rather than an accumulation of sterling balances on the part of Canada.
3. He had had a number of conversations with the Federal Reserve Bank people in New York and with George Whitney. He felt that George Whitney was increasingly favorable to the Bretton Woods proposals and had a genuine desire to evaluate the proposals on their merits. He reported that Whitney said that they had formed a committee to consider what their attitude should be toward the Fund and Bank proposals, and intentionally excluded from that committee such persons as Aldrich, Frazier, Williams, Burgess and others who had already taken a stand against the plans. He also said that John Williams said that the proposals agreed on at Bretton Woods were a considerable improvement over the earlier ones. He said that Williams, after discussion, agreed that the Bank was perfectly all right but felt that the Fund was not necessary. Williams thought the Fund should be dropped and additional powers necessary to promote stability of exchange rates be granted to the Bank. Keynes said he got the impression that Williams was sorry he had publicly "stuck his neck out" so far in opposition to the Fund and Bank plans and was a little unhappy at the vulnerability of his position. He felt, however, that Williams would do his best to justify his position of opposition to the Fund. He felt that Burgess likewise was more sympathetic to the plan than the public appeared to believe.

Keynes said that he didn't think it wise nor likely that his government would take up the Bretton Woods proposals until the United

- 2 -

States Congress had acted upon them. He thought, however, that there would be considerable pressure in Parliament from the opposition to discuss the plans.

4. We briefly discussed the reparations problem and he said that he was heartily in agreement with our view of the desirability of dismembering Germany and as to the relative unimportance of reparations. He explained, however, that in a report he submitted in Washington last year he was specifically given terms of reference which did not include the assumption of partition of Germany. He said that he had wanted to add a sentence at the end of his report (which, incidentally, was begun before the Teheran Conference) to the effect that he disagreed with the whole recommendation and preferred another solution, namely, the partition of Germany. In short, Keynes seems to be wholly in our corner.

H. D. White

NOT TO BE RE-TRANSMITTEDCOPY NO. 11SECRETOPTEL No. 271

Information received up to 10 a.m., 20th August, 1944.

1. NAVAL

On 18th/19th off CAP D'ANTIFER one of H.M. Destroyers damaged a minesweeper and set on fire an R-boat. M.T.B.'s sank an R-boat and took 8 prisoners. Yesterday one of H.M. Ships damaged one of 5 ships leaving GUERNSEY but was driven off by shore batteries. One of H.M. Monitors successfully engaged a battery at HOULGATE yesterday. One of H.M. Examination Vessels was sunk, probably by torpedo, off NORMANDY. Casualties - 1 killed, 30 missing. Build-up in Southern FRANCE is proceeding well. During the initial approach, 3 E-boats were sunk by minesweepers.

2. MILITARY

FRANCE. U.S. forces have continued their advance towards MANTES GASSICOURT. German forces in the pocket are still being wiped out. Further north our troops have a bridgehead across the River VIE S.E. of LISIEUX and on the coast have reached CABOURG.

SOUTHERN FRANCE. U.S. forces continue to advance against slight opposition. To the north a task force has reached CASTELLANE. Elements of other divisions are 4 miles west of BARJOLS and 1 mile east of BRIGNOLES. In the S.W. our forces are now 3 miles west of LA LONDE.

3. AIR OPERATIONS

WESTERN FRONT. 18th/19th. Tonnages: BREMEN 1120, STERKRADE 746; CONNANTRE Railway Centre 386; and fuel dump near GHENT 638.

19th. 43 Lancasters dropped 253 tons on LA PALLICE Fuel Depot. 769 fighters on reconnaissance and patrol over NORMANDY destroyed 22 tanks, 392 motor vehicles and 15 barges. German casualties 8, 0, 3. Ours 9 fighters missing.

19th/20th. Bombing operations cancelled through bad weather at home.

SOUTHERN FRANCE AND ITALY. 18th. 205 medium bombers and 390 fighters attacked bridges (at least 3 destroyed) and oil storage in Southern FRANCE and objectives in Italian battle area. Battleship STRASBOURG hit in TOULON Harbour.

ROUMANIA. 19th. 73 escorted Fortresses dropped 126 tons on 2 oil refineries PLOESTI. 2 Fortresses, 2 fighters missing.

4. HOME SECURITY

During 24 hours ending 6 a.m., 20th, 77 flying bombs plotted.

11
Shirley
White Co
UNITED KINGDOM TREASURY DELEGATIONBOX 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

August 21, 1944.

REFERENCE:

TELEPHONE EXECUTIVE 2020

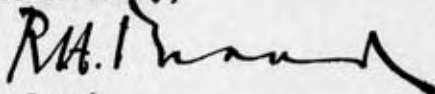
PERSONAL

Dear Mr. Morgenthau:

Now that you have returned from London after seeing the Chancellor, I should very much like to have an opportunity to come and see you and have a talk, as soon as is convenient to you. Perhaps your secretary would be good enough to let me know what day and hour will suit you.

With kind regards,

Yours sincerely,



R.H. Brand.

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

August 21, 1944

MEMORANDUM TO THE SECRETARY

Attached is the experience record
of Edgar P. Phillips, Director, Machinery
Division, for the Surplus Property Division.

E. L. Olrich

E. L. Olrich
Assistant to the Secretary

Attachment

August 21, 1944

EDGAR P. PHILLIPS
(DIRECTOR, MACHINERY DIVISION)Business Experience:

1920-1922	Manager Regional District Warehouse and Shops State of Virginia Department of Highways
1922-1925	Construction Equipment Engineer Virginia Tractor Company Richmond, Virginia
1925-1931	Owner Ed P. Phillips Machinery Company Richmond, Virginia Distributors of Construction Equipment
1931-1944	Senior Partner Phillips Machinery Company Richmond, Virginia and Alexandria, Virginia (Arthur Backstrom and Ed P. Phillips, partners, this partnership taking over in its entirety the operations of the Ed P. Phillips Machinery Co.)
1939-1944	Director Conserco Incorporation, Washington, D. C. National Lessors of Transmix Concrete Mixing Equipment
1939-1944	Director Certified Concrete Company Lynchburg, Virginia

1944 Senior Partner
Phillips Machinery and Tractor Co.
Baltimore, Maryland

Government Experience:

1932-1934 Regional Director, N.R.A.
(no compensation)

1942 Acting Commanding Officer
Engineers Heavy Shop Company
Corps of Engineers
Through affiliation with the
Associated Equipment Distributors
(no compensation)

1941-1944 War Production Board Advisory Committee
Used Construction Machinery
(no compensation)

Offices Held (Business):

1935-1943 Director
Associated Equipment Distributors
Washington, D. C.
A National Trade Association

1942 President
Virginia Machinery Dealers' Association
Richmond, Virginia

1942-1944 National Counsellor
United States Chamber of Commerce
Washington, D. C.

1943

- (1) President
Associated Equipment Distributors
Washington, D. C.
- (2) President
American Road Builders Association
Equipment Division
Washington, D. C.
- (3) Vice President
American Road Builders Association
Washington, D. C.

Writing:

Various articles
Construction Equipment News
Official publication
Associated Equipment Distributors

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Aug. 21, 1944

TO Mrs. Klotz
FROM Mr. Lynch

The attached memorandum is in response to the Secretary's request to be brought up to date on surplus property legislation.

It should be emphasized that the status of surplus property legislation is on a day-to-day basis and that the attached memorandum describes the legislative situation as it existed last Friday evening. But the House is likely to act finally on a bill today or tomorrow and the Senate will likely report out a bill today or tomorrow; and in either case, the form of the legislation may be radically altered from that indicated last week.

I will send along a further memorandum as soon as the House votes on the legislation before it, at which time the Senate doubtless will have reported out a bill.

Attachment

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Aug. 19, 1944

TO Secretary Morgenthau

FROM Mr. Lynch *ML*

Attached is a memorandum which describes today's situation as to surplus property legislation. A summary follows:

A bill is now before the House, for final vote early next week, which in the form reported out to the floor was eminently satisfactory to Mr. Clayton and the owning and disposal agencies. That bill in substance would continue the arrangement set up by Executive Order, with control in a Surplus War Property Administrator to be assisted by a departmental board of advisors and sales to be made by existing Government agencies, to be designated by the Administrator. The Administrator would be given broad discretionary powers to regulate sales, consistent with general objectives declared by Congress. While many amendments to this bill have been vigorously pressed on the floor of the House, so far the managers of the bill have successfully resisted any substantial departure from the general outlines of the bill. But since the bill is still subject to further amendment, it is impossible to forecast the ultimate shape of final House action.

It is expected that the Senate will report out a surplus property bill early next week for immediate Senate consideration. On the Senate side, there is more indication of sympathetic consideration of control by a board rather than by a single administrator and for the imposition of more inflexible requirements and standards. Some of the controversial issues, such as those involving real estate and particularly farm and grazing lands, as to disposition of Government-owned plants, and small business protection, are discussed in the attached memorandum.

Attachment

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Aug. 19, 1944

TO Secretary Morgenthau

FROM Mr. Lynch *ML*

Re: Surplus Property Legislation

Surplus property legislation is now being considered on the floor of the House and is expected to be voted on finally on Monday.

On the Senate side, it is expected that a bill will be reported out next week by the Senate Military Affairs Committee.

The bill now on the floor of the House was reported out in form satisfactory to Mr. Clayton and all the executive agencies concerned with the problem of surplus war property disposal. That bill follows the administrative pattern already placed in effect, by placing control in the hands of a Surplus Property Administrator assisted by an Advisory Board made up of departmental representatives including the Secretary of the Treasury. The Administrator would be authorized to designate existing Government agencies as disposal agencies, under which it is presumed he would designate the Procurement Division of the Treasury and the other agencies already designated by Executive Order. The Administrator would be granted wide discretionary powers in establishing sales policies and practices to be exercised in conformance with broad Congressional declarations of objectives and policies. Power of sale would be extended to all classes of property and plants except synthetic rubber and aluminum plants.

The objectives which Congress would declare as guideposts to the Administrator are merely expressions of general ends which hardly anyone would be disposed to controvert; such as effective use of the property for war purposes, facilitation of reconversion, promotion of production and employment, avoidance of economic dislocations,

- 2 -

discouragement of monopolies, and broad and equitable distribution at fair prices, all to be coupled with the realization of the highest obtainable return for the Government consistent with the maintenance and encouragement of a healthy competitive economy. To supplement these broad objectives, the bill also declares some broad Congressional policies to guide the Administrator, such as affording opportunities for utilization of the property by Government agencies, by states and their political subdivisions, by educational and charitable institutions, and by returning veterans, with equal opportunity for participation by smaller business concerns, farmers, agricultural enterprises and the former owners of surplus real property. Congress would also declare in favor of the disposition of the surplus property as promptly as feasible, with prevention of excessive profits.

In the debate on this bill on the floor of the House during the last three days, criticism was levelled principally at its lack of definite standards and policies and virtually unlimited discretionary powers vested in the Administrator. Some amendments have already been adopted (subject to final vote next week) but those amendments do not seriously disturb the general pattern of the bill of following the existing arrangement and avoiding inflexible rules of disposition. The amendments adopted require the appointment of and consultation with industry advisory committees for each class of property involved; the disposal of property in the smallest practicable lots consistent with customary commercial practice, with preference to purchasers of smaller lots; and a prohibition against the domestic sale of surplus farm commodities for less than parity price.

On the Senate side, the committee now engaged in reporting out a bill is acting independently of the House side and it is likely that the bill which reaches the Senate floor next week will contain provisions widely divergent from those of the House bill. Thus, the majority of the Senate committee is reported currently to favor the placing of power in a board of several members rather than in a single administrator. Mr. Clayton has vigorously

- 3 -

opposed this suggestion in his Congressional appearances.

Other provisions apparently receiving sympathetic consideration on the Senate side would impose a somewhat inflexible system of priorities in the acquisition of surplus property, in favor of Government agencies, state and local governments, charitable institutions, vocational and educational projects, foreign rehabilitation requirements, etc. Mr. Clayton has also opposed these suggestions in the interest of administrative feasibility and prompt disposition. Another suggestion would authorize the Smaller War Plants Corporation to take over and dispose of any of the property and direct its disposition to smaller businesses. The disposition of plants is also a subject of intense controversy, with the view being pressed that no Government plant of substantial size should be disposed of without express Congressional approval; or at least that Congress should reserve the right to authorize disposition, not only of aluminum and synthetic rubber plants, but also of magnesium, steel and aircraft plants and pipelines and shipyards.

Intense controversy has also appeared on the Senate side about the disposition of surplus lands, both as to the responsible administrative agencies and as to the policies that shall obtain. The Department of Agriculture and the Interior Department oppose the grant of authority to the Administrator to designate the disposal agencies for real estate, and have been critical of his delegation of surplus lands to RFC. The Agriculture Department sponsors control by it of the disposition of surplus farm lands, in accordance with its policies as to conservation and encouragement of family ownership of family size farms. The Secretary of the Interior believes that grazing lands and lands taken from the public domain for war use should be referred to it for disposition.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE August 21, 1944

TO Secretary Morgenthau
FROM Mr. Hase
Subject: The Business Situation,
Week ending August 19, 1944.

Summary

Reconversion: Rapid Allied advances in Europe, which raise the possibility of a nearby German defeat, are giving rise to further concern over our preparations for the shift to a peacetime economy. A confused situation may develop if Germany should collapse while reconversion plans are uncompleted.

Stock market: Stock prices at New York have turned upward, coincident with the recent Allied successes in France. The Dow-Jones industrial and railroad averages have regained most of their earlier losses, while the utility average has reached new highs. In London, however, a sharp reaction occurred last week, partly reflecting fear of reconversion difficulties.

Cost of living: The BLS cost-of-living index in July advanced moderately to a new wartime high, chiefly due to higher food prices.

Commodity prices: General wholesale prices have shown little net change since early June, but prices of basic commodities turned upward last week on Senator Bankhead's proposal to boost cotton prices.

Food outlook: Total crop production 2 to 3 percent higher than in 1943 is expected, despite drought damage in certain areas. Civilian supplies of meats and dairy products, particularly butter, however, will be noticeably smaller this fall and winter, and butter supplies for military and lend-lease will also be reduced.

- - - -

- 2 -

Increased concern over reconversion problems

The recent sweeping Allied advances in Europe have directed increasing attention to the possibility of a German defeat earlier than had previously been expected. This has given rise to further concern over our preparations to meet the difficult problems involved in a transition to a peacetime economy. Unemployment can be minimized during this transition period only through rapid conversion of factories to the production of civilian goods. This will be dependent to a considerable extent, however, upon Government decisions which have not yet been made and upon new legislation on which no agreement has yet been reached. Hence a very confused situation may develop if Germany should suddenly collapse.

The following major transition problems seem currently to be giving rise to most concern:

- (1) Getting factories started on production of civilian goods without diverting labor from war production.
- (2) Providing an adequate unemployment compensation plan to meet the shock of contract cancellations.
- (3) Providing an efficient set-up for disposal of surplus Government property with minimum disturbance to domestic markets.
- (4) Arranging for quick removal of Government goods from factory and warehouse floors.
- (5) Providing for rapid termination settlements on cancelled war contracts.
- (6) Developing a pricing policy for new civilian goods that will encourage production without seriously affecting price stabilization.

Nelson's reconversion plan handicapped
by manpower shortages

While WPB Chairman Nelson's 4-point program for starting limited reconversion to civilian goods production is now completely in effect, manpower shortages in many areas are expected to minimize the prospects of any substantial reconversion. The program was issued in the following four orders: (1) the order of July 15 lifting some of the restrictions on the use of aluminum and magnesium, (2) that of July 22 allowing the fabrication of models for experimental purposes, (3) that of July 29 permitting the placing of unrated orders for machine tools and equipment, and (4) that of August 15 allowing manufacturers with manpower and facilities not needed in the war program to proceed with civilian goods manufacture upon approval of WPB field offices. Before manufacturers can reconvert under the terms of the fourth order, however, approval must also be given by the War Manpower Commission. The War Mobilization

- 3 -

Director gave the WMC veto power over any reconversion proposal through use of sanctions against violators. The object of this directive was to insure an adequate supply of labor for war industries. Some press commentators believe that this action has temporarily stalled any real start on the production of civilian goods.

New unemployment legislation pending

The George Bill (S. 2051), designed to centralize Federal authority over liquidation of the war economy, which has passed the Senate and is now before the House Ways and Means Committee, contains certain limited provisions to take care of the unemployed. Under an over-all Office of War Mobilization and Reconversion the bill would set up (1) an Office of Contract Settlement, (2) a Surplus War Property Administration, and (3) a Retraining and Reemployment Administration.

The last-mentioned agency would be empowered to develop programs for retraining and reemployment of all persons released from war work (including all work directly affected by the cessation of hostilities), to secure the expansion of existing vocational training programs where necessary, and to provide transportation (up to \$200) of war workers and dependents back to their homes, or to places of new employment. The bill would extend unemployment coverage to Federal civilian employees under existing state benefit rates.

Hearings were being held last week before the Senate Military Affairs Committee on the Murray-Taft-Stewart surplus property bill, which would establish in the Office of War Mobilization, or its successor, a Surplus War Property Administration.

First final settlement of major war contract termination

Illustrative of one of the outstanding problems which will confront industry during the reconversion period, the final settlement of the first major war contract termination of the present conflict was announced a few weeks ago. The contract involved was that of the International Harvester Company for the production of tanks to cost \$217,000,000 at Bettendorf, Iowa. The company was informed of the contract termination on March 17, 1943, before full production had been achieved. As a result, final settlement involved payment of less than 12 percent of the original contract. However, the settlement involved 438 "first layer" subcontractors and hundreds of additional subcontractors. Moreover, since this was the first large termination of the war about 6 months of pioneering work in developing procedures was necessary, and the experience

- 4 -

gained is said to have influenced the framing of the Contract Settlement Act of 1944 which went into effect last month. While more than 16 months elapsed from the time the contract was cancelled until final settlement was announced, War Department and company officials estimate that a similar termination could now be completed in from 4 to 6 months.

Steel industry looks toward German defeat

While recent favorable war developments have not reduced the demand for steel, and backlogs of orders are actually increasing, the industry is becoming somewhat concerned over the effect of an early German defeat. The August 14 issue of the magazine Steel says:

"Informed opinion in the steel industry leans to the view that a German collapse in the near future will find the nation with a tremendous tonnage of surplus steel on its hands. One authority advances the idea that this surplus may run from 18,000,000 to 20,000,000 tons and possibly may even top 25,000,000 tons....One well informed steel man recently expressed the view that at least six months' supply of steel would be found on hand should the war end suddenly.

"Thinking generally in the steel industry is that once the German phase of the war is over, steel demand will drop 30 to 40 percent temporarily."

In regard to the length of time which may elapse before steel production is reinforced by civilian demand, Steel makes the following comment:

"For the most part, opinion in the steel industry varies as to how long a time will be required after the German collapse for an upturn in steel production to get under way.... Some informed trade authorities look for a two to three months lull after cessation of European hostilities before there will be any pronounced upward swing. Other observers, however, think it may come sooner. Many steel men regard the automotive industry as the bell-wether, and think much will depend upon how fast and to what extent the automobile builders will be permitted to resume normal production before the defeat of Japan."

Views of the automobile industry on reconversion are expressed in the following comments from the August 12 issue of Ward's Automotive Reports:

- 5 -

"Problems in automobile plant reconversion from war to peace time processing undoubtedly will be numerous and difficult of solution. Obtaining new equipment to replace loaned and otherwise lost automobile plant facilities, variously estimated as equaling upwards of 10 percent of the total factory machinery requirements which must be on hand before mass manufacturing can be resumed, is causing some anxiety in certain industry quarters.

"However, of all of the complex phases of the change-over process, the greatest present worry appears to be the possible delay that may be induced by official red tape in disposal of government equipment from company owned plants."

Stock market regains earlier losses

Following a declining tendency during the latter half of July and early August, stock prices on the New York Exchange have turned upward during the past two weeks on a moderate volume of trading, coincident with the marked successes of the Allied troops following the Normandy break-through. (See Chart 1.) The Dow-Jones averages for industrial and railroad stocks at the close of last week had regained most of their earlier losses, while the utility average reached new high ground.

In the London market, on the other hand, a sharp reaction occurred last week, attributed in part to a tendency to discount reconversion difficulties as the end of the war in Europe approaches. (See Chart 2.) Although the reaction affected all sections of the stock list except gilt-edged issues, the volume of trading remained moderate.

Further evidence of rising expectations of an early end to German resistance is seen in an additional advance in dollar bonds of axis-dominated countries during July. (See Chart 3, upper section.) Since the invasion of France in early June, Danish, Belgian municipal, and Czechoslovakian bonds have scored substantial gains, although Polish issues have shown little net change and Yugoslavian issues have declined. During the past several weeks, a moderate reaction has occurred in the bond group for Western Europe, following the previous rapid rise, while the Eastern Europe group has moved gradually higher. (Chart 3, lower section.)

- 6 -

Cost of living at new high

Due largely to higher food prices in July, the BLS cost-of-living index advanced moderately for the fourth consecutive month. (See Chart 4.) In June the index broke out of the narrow range of the preceding twelve months, and last month's rise carried it to a new war-time high. The index is now 1.8 percent higher than a year ago and is 27.9 percent above the pre-war level of June 1939.

Most major components of the index showed increases in July, but the 1.2 percent rise in retail food prices was the most important. Advances in prices of eggs, apples, and oranges of 15, 12, and 5 percent, respectively, outweighed decreases in prices of green beans, cabbages, and lettuce ranging from 11 to 19 percent. Despite their rise last month, food prices are still slightly below a year ago. Clothing costs are 7.0 percent higher than in July 1943, following an uninterrupted rise during the past year. Household furnishing costs and miscellaneous charges have advanced for 23 consecutive months.

Commodity prices higher last week

While this year's record wheat crop, together with favorable war developments, produced an easing tendency in the commodity markets during the latter part of July and the first part of August, prices turned up last week on the proposal of Senator Bankhead to raise the price of cotton to parity. Any action taken to raise cotton prices, it is thought, would also be extended to wheat and a few other commodities which are below parity. The Dow-Jones futures index last week more than regained the slight losses of the previous three weeks. (See Chart 5.)

The BLS spot index of 28 basic commodities, after moving irregularly for several weeks, showed a rather marked rise last week. The advance of 0.5 percent carried the index to a new war-time high. Steer and cotton prices rose markedly, and upward ceiling revisions raised prices of print cloth and flaxseed 5.2 and 1.6 percent, respectively. At the end of last week, prices of hogs and cotton were noticeably higher than four weeks ago, but wheat, barley, steers and rosin were appreciably lower. (See Chart 6.) Wheat prices are now below support levels in some markets, and purchases and loans by the CCC are being limited by the tight storage situation.

- 7 -

The general index of wholesale prices has shown little change in the past two months, following the very gradual rise from January through May. While prices of agricultural commodities have fluctuated moderately in recent months, increases in the prices of some have been cancelled by declines in the prices of others. The index, at 104.0 percent of the 1926 average, is only 1.3 percent higher than a year ago, although it is 38.7 percent above the pre-war August 1939 average.

Farm prices decline slightly

Although average farm prices declined slightly in July for the third consecutive month, the farm price index continues within the narrow range of the past 16 months. At 192 percent of the 1910-14 average the index is now 0.5 percent below that of a year ago, but is more than double (116 percent above) the pre-war level of August 1939. Downturns in prices of grains, truck crops, and meat animals during July more than offset upturns in cotton, fruit, milk and egg prices. Wheat prices, under the pressure of the largest crop in history, declined 8 cents per bushel from May to July.

Since the index of prices paid by farmers (including interest and taxes) was unchanged in July, the decline in farm prices resulted in a slightly lower parity ratio. Farm prices now average 113 percent of parity as compared with 114 percent in June and 118 percent in July 1943. In August 1939, just before the outbreak of war, the parity ratio stood at only 73 percent. Wheat, cotton, peanuts, and eggs are the only major farm products now below parity.

Proposals made to raise cotton prices

The failure of cotton prices to attain parity, despite the special treatment accorded that commodity in the Stabilization Extension Act, has led Senator Bankhead to initiate a campaign last week to raise cotton prices to parity. The Senator is reported to have proposed the following steps for consideration: (1) raising the minimum selling price of cotton owned by the CCC from parity to 50 points above parity, (2) Government purchases in the open market, (3) urging farmers to refuse to sell cotton below parity, and (4) raising the Government loan rate from 92½ to 97½ percent of parity. War Mobilization Director Byrnes is reported to have assured Bankhead of his full cooperation in carrying out the directive of the Stabilization Extension Act that prices of cotton and other farm commodities be raised to parity. Farm prices of cotton in July, the latest month available, averaged 96 percent of parity.

- 8 -

Several factors have tended to hold cotton prices down, including: (1) delay in the OPA's issuance of revised ceilings for major cotton textile items, (2) large stocks of raw cotton, and (3) declining domestic cotton consumption. Considerable study has been necessary before the OPA could revise the ceiling prices of major cotton items to reflect parity, as directed in the Stabilization Extension Act, and until last week only two minor revisions had been announced--for denims and for chambrays. Last week, however, the OPA issued official new prices for print cloth yarn goods, which should result in greater activity in the textile markets.

The carryover of cotton on July 31 amounted to 10,700,000 bales, or approximately one year's consumption. Of the total carryover the New York Cotton Exchange estimates that 6 million bales are in the hands of the Government, about two-thirds of which are loan stocks. Although cotton owned by the CCC is for the most part of the less desirable qualities, the offer to sell cotton at parity prices tends to prevent cotton from rising above parity.

Domestic cotton consumption has shown a declining trend since 1942. (See Chart 7.) Consumption in July was 14 percent below that of a year ago and 27 percent below that of July 1942, in fact at the lowest level since September 1940. The decline has been due largely to manpower shortages in the textile mills, but inadequate price ceilings have also been cited as a contributing factor particularly in the case of low-priced cotton textiles.

Cloth allotted for low-priced cotton apparel

In a move designed to alleviate serious shortages of low and moderately priced cotton textiles, the WPE ordered converters recently to set aside stipulated percentages ranging from 20 to 50 percent of their production of various fabrics for the manufacture of specifically-designated civilian clothing items. The cotton and cotton-rayon goods set aside under the order can be delivered only against rated orders from apparel manufacturers, who certify that the cloth obtained will be used to make designated clothing items within certain price lines. The order is expected to channel approximately 50 million yards of cotton fabrics each calendar quarter into the manufacture of moderate and low-priced civilian clothing.

- 9 -

Crop production expected to exceed large 1943 output

While crop prospects in the aggregate showed no material change during July, the Department of Agriculture's August 1 Crop Report indicated total production in 1944 at a moderately higher level than a month earlier, as the result of information covering a larger number of crops. Total production this year is expected to exceed by 2 or 3 percent that of 1943, and to be greater than in any previous year except 1942. Particularly favorable growing conditions during July in sections north and west of a line from Chicago to El Paso helped to offset drought or near-drought conditions in a large east-central area. The drought, however, which considerably reduced prospects for corn, potatoes, hay and some other crops in certain areas, has become more severe during the first few weeks of August.

Wheat prospects improved slightly during July due to unusually favorable weather for spring wheat, and the forecast of 1,132 million bushels is 12 percent above production in any past year. While the drought sharply reduced corn prospects in the eastern Corn Belt, a very large corn crop is still expected. The indicated production of the four principal feed grains--corn, oats, barley, and grain sorghums--totals 112 million tons, which is 3 million below that of last year but is larger than in any earlier year except two. Due to reduced acreage, a smaller-than-average cotton crop is forecast.

Near-record production of rice, beans, dry peas, fruits, vegetables for processing, and truck crops for fresh market is now expected, but the outlook is for only moderate crops of potatoes and sweet potatoes. The prospective commercial apple production increased 3 percent during July, with the crop now estimated at 41 percent above the short 1943 crop and 3 percent above the 1934-42 average. The third largest peach crop on record is expected.

The food outlook

Although an early end to the European war might substantially increase civilian food supplies of many items, the Bureau of Agricultural Economics expects food supplies, as a whole, to be relatively plentiful this fall and winter, after allowing for continued large war requirements. Supplies of meats and dairy products will be definitely smaller, but these decreases will be offset by larger supplies of fresh fruits and vegetables and cereal products.

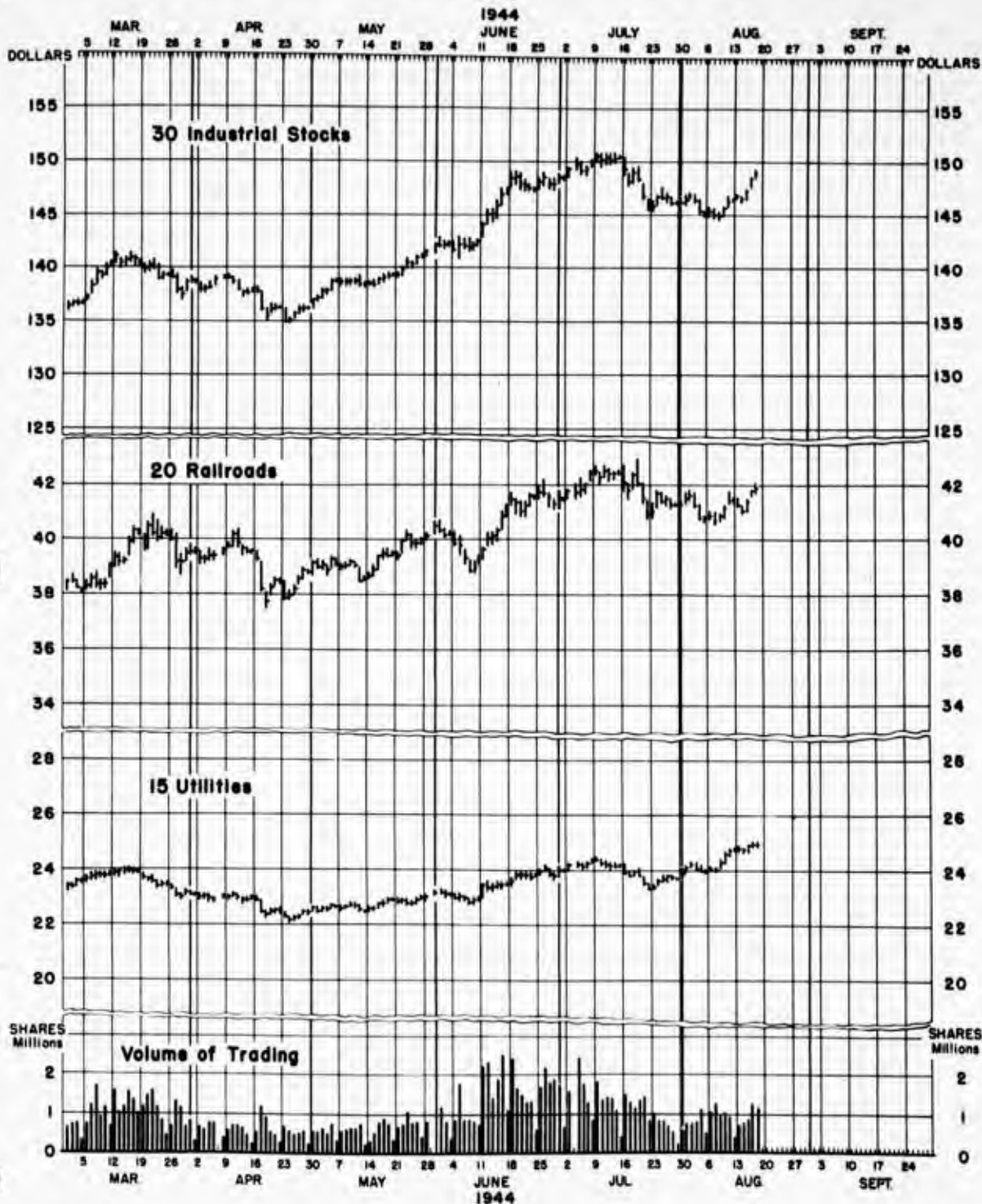
- 10 -

Due to a spring pig crop 24 percent below the 1943 crop, civilian pork supplies will be smaller this fall. Increased marketings of grass-fed steers, however, are expected to increase beef supplies somewhat. Although total milk production may be close to that of last year, increased non-civilian requirements will reduce civilian supplies of most dairy products during the last half of this year. In fact, the WFA stated last week that there would probably be less butter for civilians in the last six months of 1944 than in any comparable period in more than 50 years. Butter production has been lagging considerably behind last year, and Government purchases of butter for the Army, lend-lease, and other war purposes have fallen several million pounds behind the seasonal goals.

Egg production may decline more than seasonally this fall due to heavy culling of flocks and the raising of fewer birds for replacements, but production will be supplemented by the record storage holdings. The deputy director of the WFA, Lt. Col. Olmstead, told a Senate committee last week that the WFA had between \$100 million and \$150 million worth of surplus eggs.

STOCK PRICES, DOW-JONES AVERAGES

Daily



INDUSTRIAL STOCK PRICES IN U.S. AND U.K.

August 1936 = 100

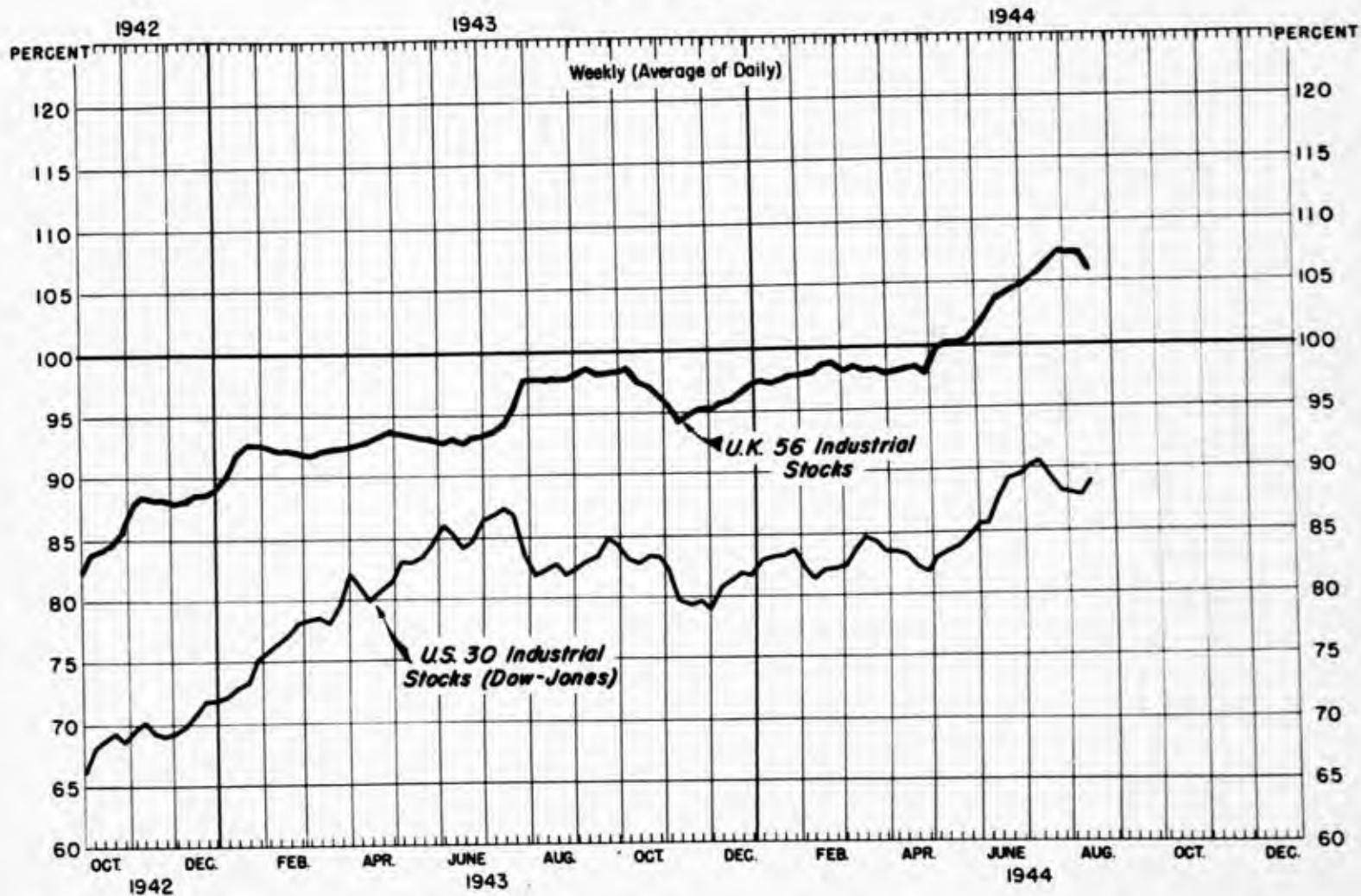
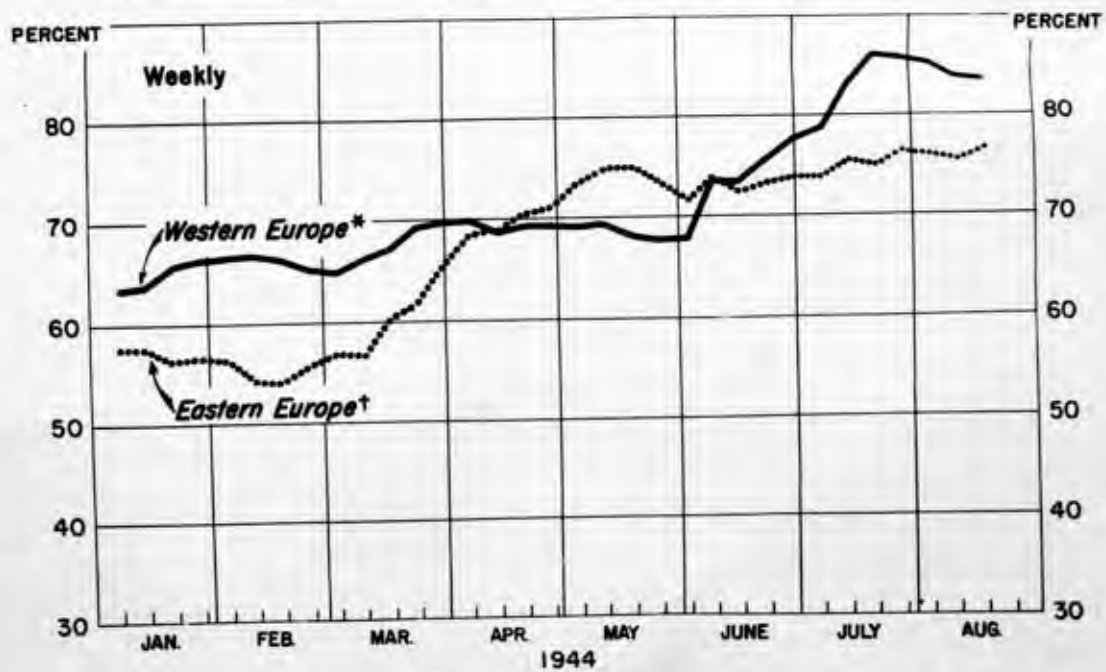
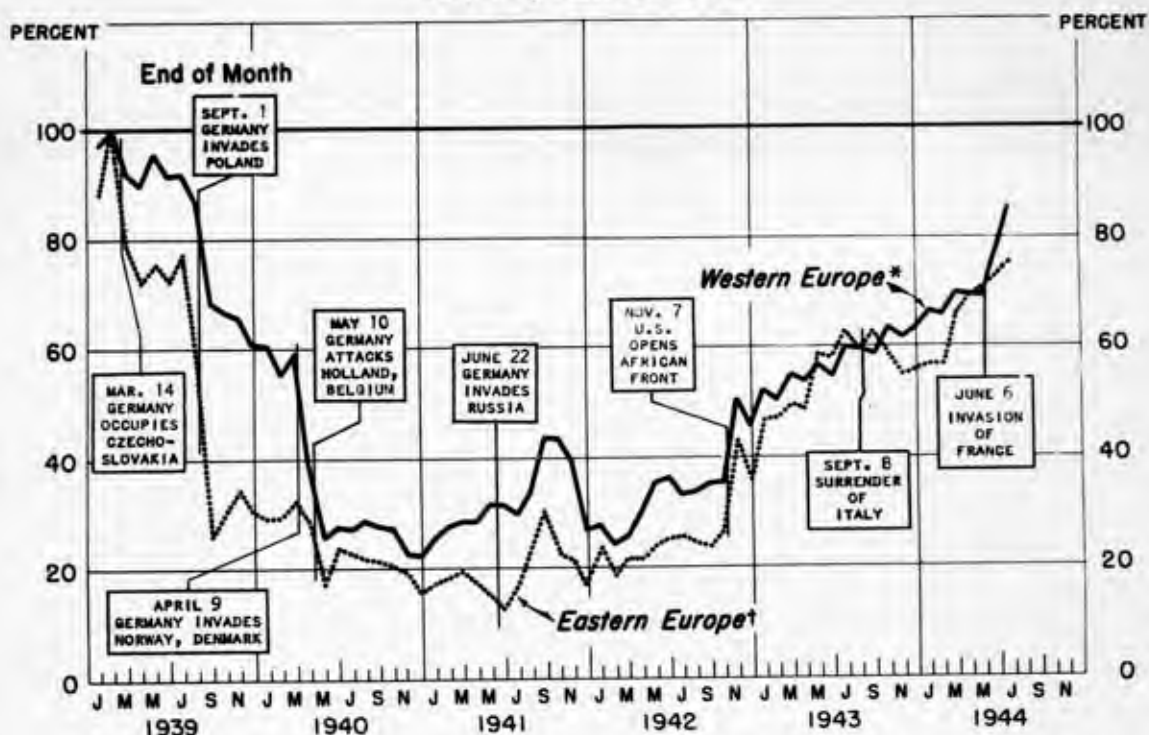


Chart 2
114

PRICES OF SELECTED DOLLAR BONDS OF AXIS OCCUPIED COUNTRIES

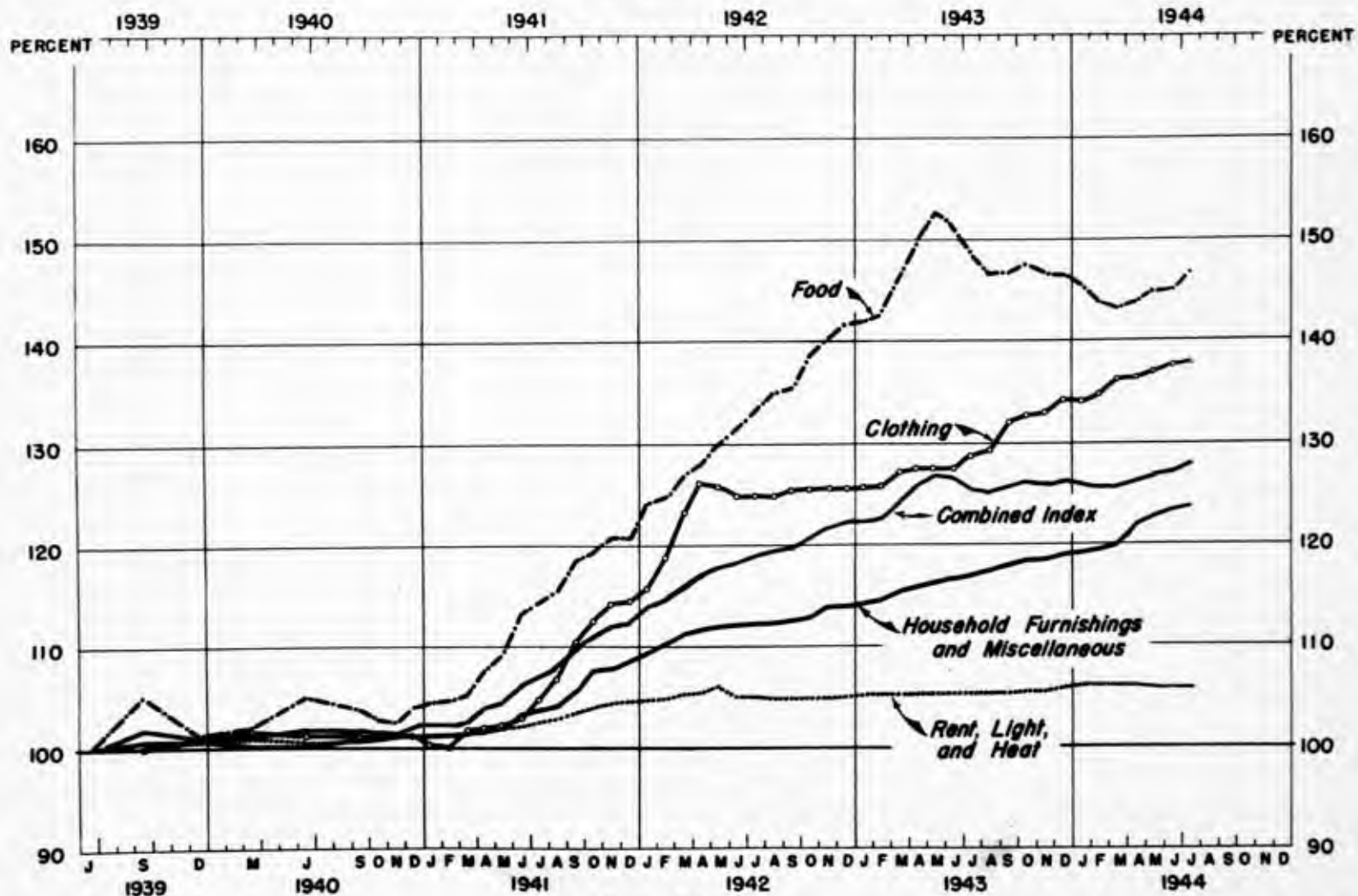
February 28, 1939=100



* Denmark 6's, 1942; Antwerp 5's, 1958; Copenhagen 5's, 1952
† Czechoslovakia 8's, 1951; Poland 4½'s, 1960, assented; Serbs, Croats and Slovenes 8's, 1962

COST OF LIVING AND SELECTED ITEMS

June 1939=100



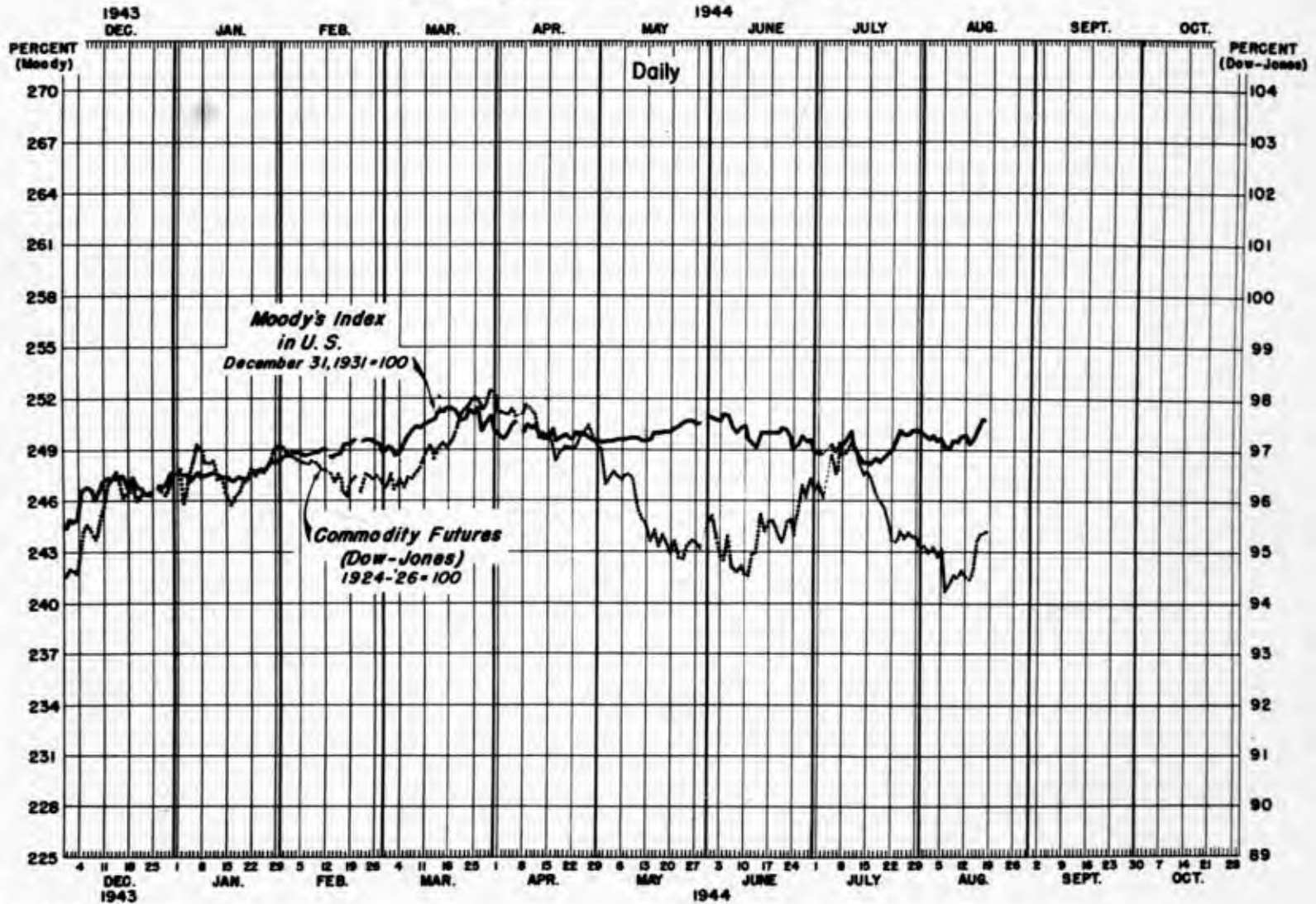
Source: B.L.S.

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

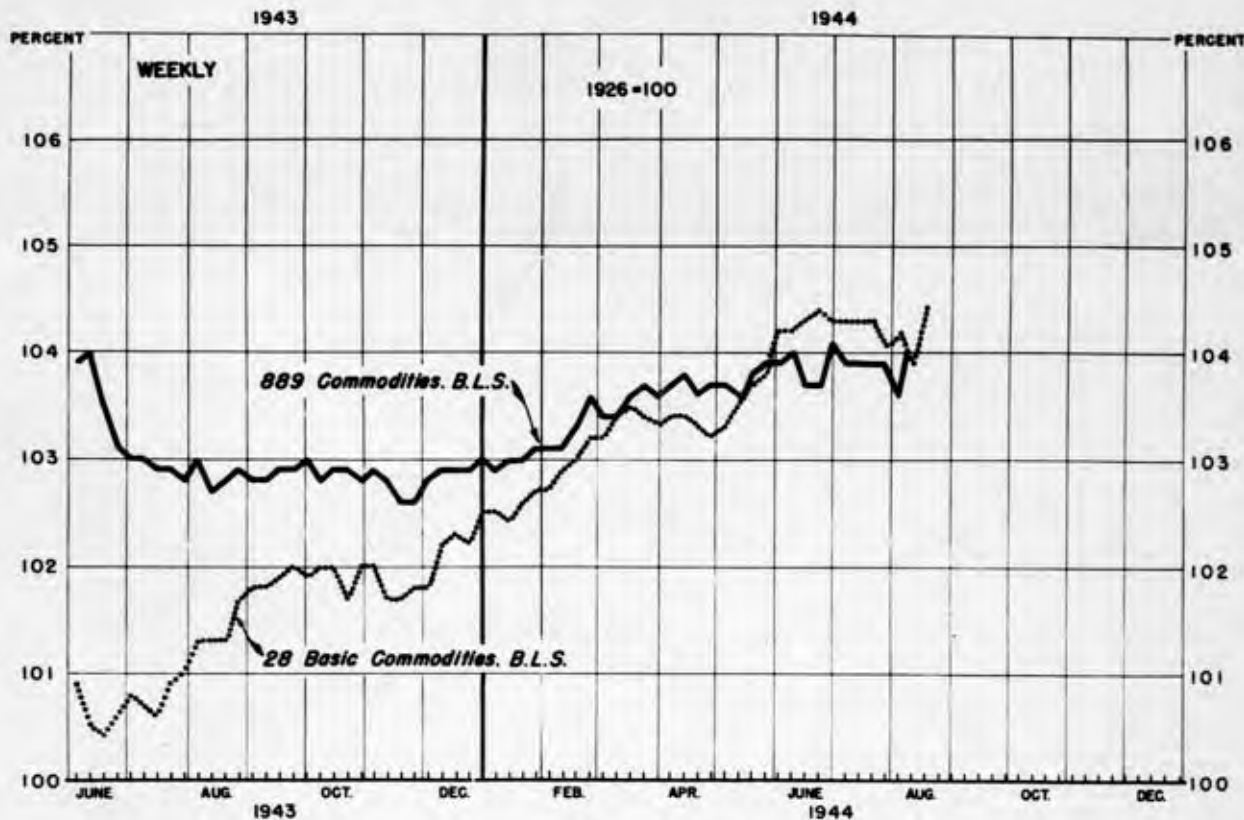
G-413-B-1

Chart 4
116

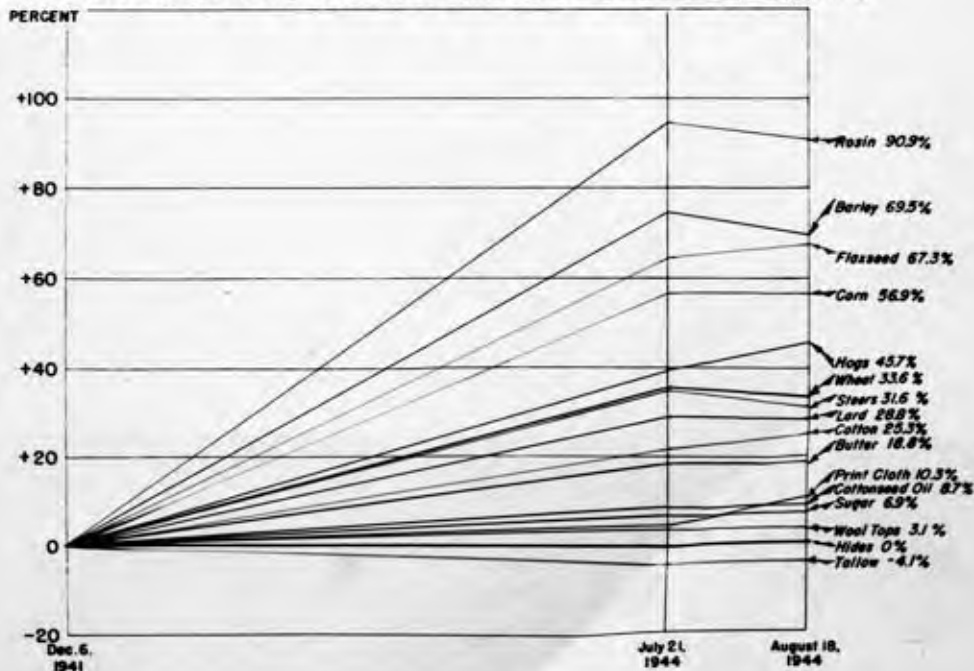
COMMODITY PRICE INDEXES IN U.S.



WHOLESALE COMMODITY PRICES

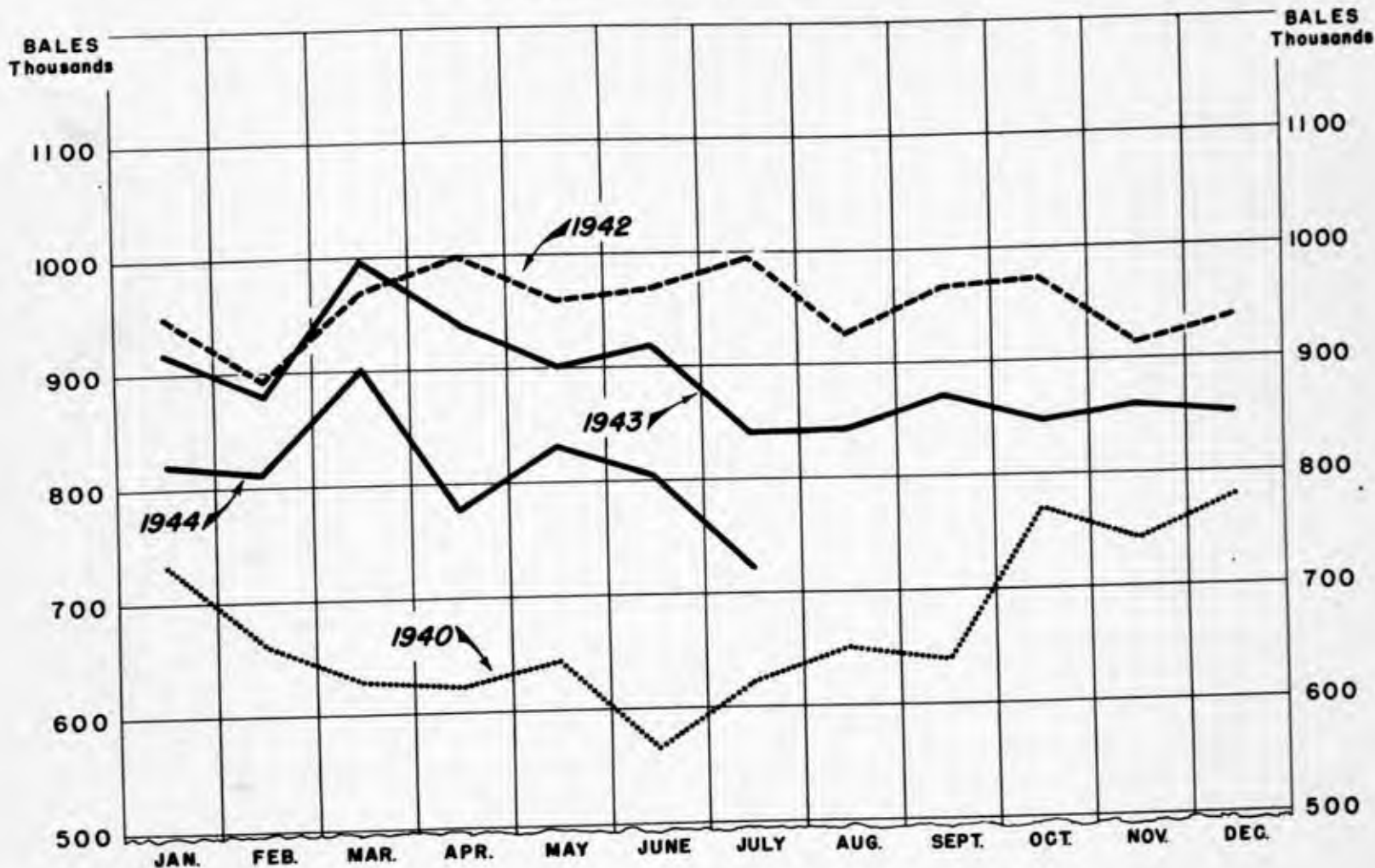


SELECTED BASIC COMMODITIES
Percentage Change December 6, 1941 to July 21 and Aug. 18, 1944



119

U. S. COTTON CONSUMPTION



Source: Bureau of Census

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

C-487-A

Chart 7 119

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Personal and Confidential

DATE

August 21, 1944

TO Secretary Morgenthau
FROM J. W. Pehle

The issues which you have now raised with respect to the kind of peace which the Allies are to impose upon Germany are as important and challenging as any with which the Treasury is concerned. A great deal of careful consideration and planning must be done, and as soon as possible, if the Treasury is to have any significant impact on these problems.

I therefore respectfully suggest that you establish at once a committee in the Treasury to work on these problems.

Such a committee might consist of the following: The Secretary, Messrs. Bell, Gaston, O'Connell, White, McConnell, and Pehle.

I also suggest that a sub-committee, which might consist of White (Chairman), Luxford and Pehle, be instructed to draft a preliminary report to the main committee.

You might also wish to have this same group begin working on the question of financial arrangements with the United Kingdom.



SMITH COLLEGE
NORTHAMPTON, MASSACHUSETTS
DEPARTMENT OF HISTORY

121

my dear Secretary Morganthau:

thank you very much for
your letter of August 17th re
Mr Jabotinsky. The information
was much appreciated and I
have conveyed it to the
editor in Palestine.

Sincerely yours

Harry Kohn

August 21, 1944

10
MAN-450

PLAIN

Naples

Undated

Rec'd August 21, 1944
7:35 a.m.

Secretary of State,
Washington.

440, FOR JOINT DISTRIBUTION COMMITTEE, 270 MADISON
AVENUE NEW YORK FROM GREENLICH AND PERLMAN

Please advise Schwartz no funds received nor ex-
planation. Impossible borrow further. Needs critical
and Urbach's group tens exploit our failure provide.
Also need nine million lire repay borrowings authorized
Delasen during occupation. Have received total \$8,960
against Palestine clearance. Murphy cabling Washington
regarding our need for funds. Had already sent approval
Fischel's entry Africa.

BRANDY

BR

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

August 21, 1944

5 p.m.

AMEMBASSY,

LISBON.

2298

The message below for Dexter is WRB 77.

Please deliver the following message to Dr. Joseph
Schwartz, 242 Rua Aurea, Lisbon, from Mr. Leavitt of
the American Jewish Joint Distribution Committee:

QUOTE Remitted \$25,000 Saly Mayer for Shanghai.

UNQUOTE

HULL
(GLW)

WRB:MMV:HO
8/21/44

WE

SWP

LFO-496
Distribution of true
reading only by special
arrangement. (SECRET W)

Lisbon

124

Dated August 21, 1944

Rec'd 1:50 p.m.

Secretary of State,
Washington.

2580, August 21, 1944, 3 p.m.

Following is substance of telegram from Resnick
Dated August 16. 391 BULBUL passengers and 5 survivors of
MAFKURA arrived Galata August 14. 372 left for
Palestine August 15. Interview passengers state following;
first, all survivors MAFKURA certain ship sunk by incendiary
bombing and gun fire August 5 at 12:05 p.m. Most survivors
identified attackers. Second, only possible for 40 or 50
to leave ship, all others wounded or burned to death. Of
those who left only 5 were saved, a Hungarian couple, 2 Polish
men and a Rumanian woman. Third, those struggling in water
were machine-gunned by 3 patrol boats which attacked MAFKURA.
Fourth, others, perhaps 20 or 25 might have been rescued if
captain of BULBUL had been willing to help. Fifth, loss of
life in part due to insufficient exits to deck from hold
and defective life saving apparatus.

This is WRB 160 JDC 55 from Pilpel for Leavitt.

Sending detailed report and financial information
later. Resnick thinks traffic from Constana will either
cease or at best be very small; this is end of Resnick's
information.

Have advised Joseph Schwartz and also told him
Barlas has notified Dobkin that Barlas considers further
transports possible.

NORWED

DU NRM

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Embassy, Madrid
DATED: August 21, 1944
NUMBER: 2324

CONFIDENTIAL

Refer Department's 2126 of July 28, paragraph marked 3.

The authorization given to consular officers in Spain and Portugal by the Department's 1008 of April 12 is hereby amended to include authorization to issue such visas to refugee children arriving in Switzerland from Hungary. For issuance through October, the additional non-preference quota immigration numbers given below were allotted to Madrid; Hungarian 27 to 71 inclusive.

Please advise appropriate Spanish and Portuguese officials and make all appropriate efforts to arrange for release to Spain and Portugal from Hungary of children who may be eligible for the issuance of such visas.

HULL

VD:EBC:LCG

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: August 21, 1944
NUMBER: 2871

SECRET

FOR MCCLELLAND FROM WAR REFUGEE BOARD.

Please deliver the following message to Mrs. Fanny Hirsch, Comite Refugies Intellectuels, 7 Rue Gautier, Geneva, from Fred S. Weissman of Selfhelp of Emigres from Central Europe, Inc.:

"Your message of July 28th reports credit of 21 (?) Swiss francs. This is not understandable. We transmitted four times \$3,000, on March 8, April 13, May 1, and July 10, and \$5,000 on June 14. Transferring another \$3,000 today. Hoping that your work is continuing. Enlist cooperation of Pierre Levi Legrand-Schwarz, Hotel Russie, Geneva and Leopold Ettlinger, c/o Schaub, Pestalozzistr. 35, Zurich. Expecting further reports".

HULL

THIS IS BERN CABLE NO. 132.

CORRECTION ON
ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: August 21, 1944
NUMBER: 2871

SECRET

The telegram No. 2871 was erroneously distributed to you as "No. 132". It should have been No. 2871.

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: August 21, 1944
NUMBER: 2882

CONFIDENTIAL

FOR MCCLELLAND FROM WAR REFUGEE BOARD

Reference your number 5228 of August 11, 1944.

Ancross has authorized use of 50 tons salvaged Christina foodstuffs for Intercross package program for concentration camps. You are hereby authorized to pay Intercross from WRB funds for the aforementioned 50 tons. Please advise Board exact amount you pay Intercross and report on the developments of this feeding program.

THIS IS WRB BERN CABLE NO. 135.

HULL

CORRECTION ON
ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: August 21, 1944
NUMBER: 2872

CONFIDENTIAL

The telegram No. 2872 was erroneously distributed to you as "No. 135". It should have been No. 2872.

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: August 21, 1944
NUMBER: 2873

SECRET

FOLLOWING FOR McCLELLAND:

Please transmit the following message to Dr. Gerhard Riegner, 37 Quai Wilson, Geneva:

QUOTE Approached by Belgian Legation, ICRC stated its inability to again ask Germans for authorization to visit Jewish camps in Belgium. ICRC fears that a new request would endanger sending foodstuffs these camps.

It is our conviction that by stressing repeatedly the right interned Jews be treated civilian internees by analogy Geneva Convention, the Red Cross could only improve their situation. Energetic action Red Cross Hungarian Jews proves authority this Committee could still achieve much, especially at this stage of the war. Besides, wonder whether foodstuffs really reach Jewish internees Belgian camps. Please intervene, wire. World Jewish Congress. A. Leon Kubowitzki. UNQUOTE

THIS IS WRB CABLE TO BERN NO. 131

HULL

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: August 21, 1944
NUMBER: 2877

CONFIDENTIAL

FOR MCCLELLAND:

Refer paragraph marked 4, Department's 2605 of July 28, WRB's 94.

The authorization given to consular officers in Switzerland by the Department's 891 of March 18 and Department's 2236 of July 3 is hereby amended to include authorization to issue such visas to refugee children arriving in Switzerland from Hungary. For issuance through October, the additional non-preference quota immigration numbers given below were allotted to Zurich: Hungarian, 72 to 176 inclusive.

Please advise appropriate Swiss officials and make all appropriate efforts to arrange for the release to Switzerland from Hungary of children who may be eligible for the issuance of such visas.

THIS IS WRB BERN CABLE NO. 122

HULL

VD

DEPARTMENT OF STATE
DIVISION OF

SEP 1 1944

COMMUNICATIONS
SECTION

U TRAFFIC

FROM:

LONDON

DATE: August 21, 1944

Rec'd August 30, 2 pm

To Secretary of State

Washington

-1015 August 21, 1944

For Secretaries of State and Treasury

1. The Economist (August 19) carries under "Notes of the Week" comments on the methods of conducting discussions of important economic problems between the U. S. and the U. K. noting that present discussions "conform to the pattern of informal and mainly exploratory talks," this journal asserts that:

"It should not be supposed, however, that there is any fundamental difference in the binding character of the results achieved between, say the Bretton Woods Conference on the exchanges and international investment, at which the representatives of more than forty other nations attended, and the tete-a-tetes which Lord Beaverbrook has been holding on civil aviation and oil with American spokesmen. Indeed, the oil agreement, which was reported last week, is probably more binding, as it stands, than the draft monetary agreements which the Bretton Woods Conference reached."

The Economist therefore asserts that:

a) There should be a constant collation of decisions "so that they shall add up to a consistent economic policy which is consonant with the interests and the public opinion of the country," and states in this

A-1015 London

2.

connection:

"The best link for bringing and holding together the tentative policies decided is probably not any single individual, even Lord Beaverbrook. Almost certainly, if an individual Minister were picked out, it should be either the Chancellor of the Exchequer or, since it is chiefly trade policy that is being fashioned in this manner, the President of the Board of Trade."

b) Economic policy "however placed the way in which it must be determined, should be consciously decided by the Cabinet itself." On this point the article continues:

"Certainly it is quite illogical, and likely to be very dangerous, that formal decisions should be taken at conferences, such as that held at Bretton Woods, on questions of international machinery without corresponding decisions being made, either in this country or in the United States, on the issues of economic policy upon which the working of this machinery will entirely depend. The alternative to present procedure is neither an omnibus international economic conference nor a prior announcement by the Government of its general economic programme over all the international field. The necessity is rather that, at every stage, it should be guaranteed that the right hand of policy knows what the left hand is doing."

-3- A-1015, August 21, 1944, from London

The Economist further asserts that:

"At least it should be known whether Parliament and the people are prepared to accept and honour these obligations-- it is probably even more vital, of course, that it should be known whether or not the United States Congress will be prepared to honour them. The draft agreements which have resulted from the conference at Bretton Woods are remarkable in that they run counter, in a number of important respects, to the views which were expressed in Parliament when the opportunity was afforded to debate the basis of the Bretton Woods discussions. The position at present is that, so far as the separate topics of Anglo-American discussions are concerned, Parliament's views are not, for the most part, taken; and that when, as in the case of international monetary matters, those views are taken, they are not apparently heeded. There is very little chance that, if the Government's decisions are pressed, they will be repudiated; Ministers can rely upon their majority. On the other hand, the efficiency of the system depends, over a period, upon its sensitiveness to public opinion which, for all its inevitable errors, has a steady eye both to practicability and to national interest. It is not this Government or this Parliament that will have to administer the policy which is now being somewhat haphazardly made. It is, therefore, most necessary that the Government should not only give every opportunity for a discussion of the general economic principles and expectations upon which the present negotiations and decisions, in whatever form, are based, but also that it should take very careful notice of the opinions expressed. The unspoken and undiscussed premise of all these international and economic negotiations and tentative agreements is the picture which the British Government (and the American Congress) have of the appropriate trade policy to be pursued after the war. Until this picture has been made very much clearer, there will inevitably be an air of considerable unreality made in so many various ways.

2. Discussing the suggestion made by Sany Sackany Boy that Egyptian sterling balances held in London should be accepted by Canada as payment for exports to Egypt; the Economist August 19 stated:

"The proposition

-4- A-1015, August 21, 1944, from London

"The proposition is unlikely to receive a very kindly reception in Ottawa. There is no particular reason why Egypt should receive preferential treatment in solving the problem of her abnormal sterling accumulations. The initiative taken by the Egyptian authorities, however, stresses the urgency of tackling the problems of sterling debts at the earliest possible opportunity. Delay, and the apprehension it would cause with the creditors, might undermine the position of sterling as an international currency and as the basis of a great and world-wide currency group."

WINANT

LCA:KAHE:LSW

AMERICAN OPINIONCopy of Cable from New York to M.O.I.
August 21st, 1944.Nationwide Press Trends

Although there is still a substantial amount of enthusiastic comment on the invasion of Southern France, the editorial spotlight is swinging back to northern France, particularly to "the bold and brilliant" successes of Patton's forces. Disappointment over the Germans' escape from the Falaise trap is swept aside, or dismissed with statements that their decimation is only delayed. Comment is especially exultant over what is believed to be the imminent capture of Paris, and there is much rejoicing in anticipation of "the early liberation of France". A number of separate editorials applaud the "re-establishment" of Patton, declaring that his successes have vindicated him as a fighter and Eisenhower's judgment in putting him at the head of the Third Army.

Weekend comment on the Dumbarton Oaks Conference widespread, though not nationwide in volume centers almost entirely on Dewey's statement. About half of this comment, from New Deal papers such as the Philadelphia Record and the Raleigh News Observer and from independents such as the Springfield Republican and Newark News, declares Dewey's statement dangerously harmful or completely unnecessary. This group citing statements of Hull and Roosevelt as evidence of the Administration's scrupulous concern for small nations, and arguing that no one has ever advocated the "permanent" Big Four domination which Dewey fears, declares that Dewey is attacking windmills or making "a fifteen cent effort to raise a political issue where none exists". Dewey's statement, it asserts will alarm the country before any program is presented, and will raise suspicion in the minds of Allied leaders concerning America's good faith. A second group composed of Republican and independent internationalist middle-of-the-road papers, stresses that there is little divergence between the views of the Administration and Dewey, but that Dewey is well within the field of constructive criticism, that his statement serves to clear the air, and that the injection of himself into the conference is helpful in that it is worth noting that a few liberal papers join this group in their approval of Dewey for voicing the fears that small nations will not have commensurate say in the post-war setup. The remaining group of conservative papers enthusiastically endorses Dewey's "challenge" as making sure that the Dumbarton Oaks Conference will not "deteriorate behind closed doors into a slick game of power politics", and asserts that Hull is unable to cite "one act which clearly indicates that Dewey's fears are not well founded". A few of these papers go on to assert that Dewey obviously had in mind "reports from Moscow" that Stalin's representatives will project a plan for "four-power agreement on permanent domination of the world" and that "Dewey has interpolated his own version of post-war policies which is his right as the election campaign opens."

Radio Trends and Comment

Hardly any analytical comment was forthcoming over the weekend. The liberation of Paris was considered very near and its significance was subject to most extensive comment.

E N D

SECRET**OPTEL No. 272**

Information received up to 10 a.m., 21st August, 1944.

1. NAVAL

PROVENCE. On 17th/18th U.S. Destroyers sank 4 German M.T.B.'s taking 35 prisoners. 1 U.S. Destroyer slightly damaged. On 18th a U.S. Headquarters ship was attacked by aircraft and hit by two bombs. Casualties - 4 killed, 40 injured.

NORMANDY. On 19th/20th M.T.B.'s severely damaged 2 R-boats off LE HAVRE, setting one on fire. This morning three of H.M. Destroyers engaged E-boats N.E. of assault area.

BAY OF BISCAY. On afternoon 20th one of H.M. Cruisers with one of H.M. Destroyers and a Polish Destroyer silenced coastal batteries on the ILE D'YEU, S. of ST. NAZAIRE. On 19th two of H.M. Destroyers sank a U-boat S. of BEACHY HEAD and took 1 prisoner. On 20th a U-boat was sunk by an aircraft from a U.S. Auxiliary Carrier S. of NEWFOUNDLAND. 42 prisoners taken.

2. MILITARY

FRANCE. U.S. forces have reached the SEINE both north and south of PARIS. To the North they have pushed across a small bridge-head just N.W. of MANTES, while on the Eastern bank they have pushed downstream and are at the outskirts of VERNON. Late reports state U.S. forces have reached MELUN, are at the western edges of the FORET DE FONTAINEBLEAU and have occupied ARPAJON, patrols have reached ST. GERMAIN. In the "pocket" area U.S. forces have made firm contact with Polish and Canadian troops and have occupied CHAMBOIS. Numerous German attempts to break into and out of the pocket have been held. British forces continue to compress the pocket which is thought likely to contain the greater part of four to five Panzer or S.S. Divisions as well as remnants of Infantry Divisions stranded there. No significant changes further north of coast.

SOUTHERN FRANCE. Allied forces continue to make rapid progress in the North, leading units have crossed the difficult hill country between the beaches and the river DURANCE and are now over the river at a point S.W. of DIGNE. Thrusts to the west have reached RIANIS and are reported in the outskirts of AIX EN PROVENCE.

ITALY. Poles have made substantial advances in the Adriatic coastal sector during the last two days. The Germans have withdrawn north of the METAURO and Polish troops on the coast are four miles south of FANO. Inland PERGOLA and MUNDAVIA have been occupied.

3. AIR OPERATIONS

WESTERN FRONT. 20th. 61 escorted Marauders (1 missing) attacked a troop concentration S.E. of ROYAN dropping 102 tons with good to excellent results. 275 fighters (2 missing) on reconnaissance in the LISIEUX-ORBEC-SEINE area destroyed 7 tanks and 46 motor vehicles. 20th/21st. Bombing operations cancelled owing to weather.

SOUTHERN FRANCE AND ITALY. 682 light and medium bombers and fighters (5 missing) attacked objectives in the French and Italian battle areas scoring 2, 0, 1. 3 locomotives and 95 motor vehicles destroyed or damaged.

RUMANIA. 19th. 67 Fortresses dropped 128 tons on oil refineries at PLOESTI and a railway bridge 50 miles N.W. of NIS. 2 bombers, 3 fighters missing.

CENTRAL EUROPE. On 20th 213 U.S. heavy bombers from Mediterranean attacked oil refineries in POLAND, 30 miles W. of CRACOW 301 tons; and 45 miles W. of CRACOW 187 tons. Enemy casualties 1,1,1. Ours 1 bomber missing. 258 other heavy bombers (2 missing) dropped 158 tons on oil refinery DUBOVA; 221 tons on railway centre SZOLNOK and 157 tons on the neighbouring airfield.

4. HOME SECURITY

During 24 hours ending 6 a.m. 21st, 102 flying bombs plotted.

August 22, 1944
11:00 a.m.

GROUP

Present: Mr. D.W. Bell
Mr. C.S. Bell
Mr. Pehle
Mr. Shaeffer
Mr. Gaston
Mr. Gamble
Mr. Smith
Mr. White
Mr. Blough
Mr. Luxford
Mr. Haas
Mr. Sullivan
Mrs. Klotz

H.M.JR: Herbert?

MR. GASTON: You signed a letter, I think, when you were here before, about an expedition to go to Europe to sort of ride herd on Sammy Klaus on this problem of German flight capital.

H.M.JR: I wrote what?

MR. GASTON: You signed a letter which was addressed to FEA, prepared in Mr. Luxford's office, I think, about sending some people to Europe on this problem of Axis flight capital. One of them was to be an Enforcement man. I just wanted to check in with you and let you know that the man that we have selected to go is Sid Kennedy, who is now down in Mexico, and who is really our number-one man - or was - in Europe.

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

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H.M.JR: Whom did I discuss that with before I left?

MR. GASTON: I think you discussed it with Mr. Luxford.

MR. LUXFORD: I believe Mr. White and Mr. O'Connell.

MR. WHITE: Mr. Smith, I guess.

MR. GASTON: I was only in on it to the extent of furnishing a man.

H.M.JR: In the first place, somebody told me I just had approved it and it had been discussed with me - which it never had.

MR. D.W. BELL: The only thing I discussed with you was the Sammy Klaus end of it.

H.M.JR: What did we say?

MR. D.W. BELL: That he could go, but not as a Treasury representative, and that was clearly understood, and so stated in the letter.

H.M.JR: If he wants to go he should transfer to the payroll of FEA, I said.

MR. D.W. BELL: I don't think you made that quite clear, but with the understanding they would reimburse us for his expenses.

H.M.JR: But he shouldn't go as a Treasury representative.

MR. D.W. BELL: That is right. The day he was getting ready to leave they submitted to me a memorandum which would authorize him to carry confidential Treasury papers, and I stated that he was not going as a Treasury representative and should not carry confidential Treasury papers. What became of that, I don't know.

H.M.JR: Let's get this thing clear. There are about

- 3 -

six people in on it. I made it perfectly clear, I think, to you (Mr. D.W.Bell), didn't I, that I didn't know what he was going for, and that he would not go as a Treasury representative, period.

MR. GASTON: He has gone.

H.M.JR: All right. Is it clear he is going for FEA?

MR. D.W. BELL: Yes, very clear. No question about that at all. Now the question is as to having some other government people go along as Treasury representatives and State Department representatives.

H.M.JR: What is he going over for, anyway?

MR. D.W. BELL: I don't know.

MR. LUXFORD: Mr. Secretary, if I might add a little bit there - at the time that Sammy was going to Europe we didn't know very much about what the project was they were after. We discovered that what he was going over for was to work out a report on the disposition of Axis-looted property in various neutral countries. Well, now, that has always been a Treasury Foreign Funds problem. We have been working on it since the very beginning.

We also learned that FEA in its discussions was taking an attitude that after all, this is now their problem - "The Treasury sent a letter to us and assigned Klaus to us, and this is our problem and not yours. We would be very glad to let you take a look at what our instructions are, but you have no voice in it."

Well, that concerned a number of us, because we felt that this had always been our field and that we had a responsibility to discharge. So we suggested, after learning that State was definitely going to send a man along, that we also send a Treasury Foreign Funds man, and that is exactly where the thing is today, that Treasury will send a man along.

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H.M.JR: FEA pulled a fast one on some of you boys.

MR. WHITE: I don't think that is wholly fair, because I was in at the earlier period. FEA got the idea that, whether with Sammy Klaus' instigation or not, I don't know, that they ought to be examining German funds and corporations which were being established in the Argentine and in Spain and in Sweden for bases of future operations, and Klaus was loaned to them to work out on that problem.

They later decided that they would need to send men abroad in order to determine how much and what corporations were being established under assumed names or under tie-ups. At that point I didn't know, or wasn't aware, that that was a matter which the Treasury had any prime responsibility on.

We said we would lend Klaus to them to work on that problem. Later, apparently, they developed the idea of going abroad, and I wasn't here at the time. And from what I have ascertained since, I am not of the opinion that FEA has the slightest compunction about the Treasury collaborating wholly. I think they would be delighted, in fact. I don't think there is any question of staking out claims as to who has responsibility.

MR. LUXFORD: We got definitely this impression from talking to their staff.

H.M.JR: The trouble is, about six people are in on it, as near as I can make out.

MR. D.W. BELL: Wasn't it originally planned that when Klaus did go abroad that some of the Treasury people would meet him at different points? Wasn't Saxon coming up to meet him in Spain or Portugal?

MR. WHITE: He was to work through, and contact, and work with Treasury people in the various areas.

H.M.JR: When FEA asked for him, didn't they state what they wanted his services for?

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MR. WHITE: Yes, they did. I don't think they had in mind sending him abroad, but he was to work with them on the problem of determining--

H.M.JR: Look, gentlemen, I really can't spend hours on this kind of stuff. It is somebody's responsibility. Somebody has fallen down on the thing. Whoever has the responsibility, take it. I don't want to be bothered with this kind of stuff in the future. I haven't the time or the inclination. Who is the head of Foreign Funds?

MR. PEHLE: Schmidt is.

H.M.JR: Who is he responsible to?

MR. LUXFORD: O'Connell.

H.M.JR: Well, handle it; don't bother me with it. I don't want to take my time or my mind on this kind of petty stuff.

MR. GASTON: It is probably my stuff.

H.M.JR: Six people get in on this. I have had it for ten years. I am sick and tired of it. If the General Counsel is responsible, somebody assign him. It doesn't interest me. Whoever is responsible, work it out. Here is my Administrative Assistant, work it out with him. I really am not interested about Sammy Klaus.

MR. D.W. BELL: Herbert talked to me about it yesterday, Mr. Secretary, and I said I thought you would be interested in anybody going abroad to represent the Treasury, and that you ought to know about it.

H.M.JR: I don't want anybody to go abroad. We are too short of people here. I mean all of this thing - Szymczak running around London - so many people. Sammy Klaus is always trying to make trouble, build up Missions, and everything else. I don't want any part of any Mission.

MR. D.W. BELL: You don't want anybody to go abroad?

- 6 -

H.M.JR: Why should anybody go over? I repeat myself. If it were Foreign Funds, somebody - White, Luxford, or Pehle - somebody let Sammy Klaus go. And now we find somebody else says he is doing a job which is Treasury responsibility.

MR. LUXFORD: Mr. Secretary--

H.M.JR: Why did you let him go in the first place?

MR. LUXFORD: Mr. Secretary, I can only say, from the point of view of Foreign Funds, we didn't know the scope of the mission.

H.M.JR: Why didn't you? Who held back on you, Klaus or Crowley?

MR. LUXFORD: I suspect it was a little of both, as far as I am concerned.

H.M.JR: Well, it is water over the dam.

MR. LUXFORD: But we have a man who is available and would be helpful in Foreign Funds if he could go. I don't think there is any opposition on anyone's part to his going.

MR. GASTON: I was asked to initial this letter because there was a question of some Enforcement man going to look into the counterfeiting proposition. We have had quite a number of rumors of counterfeiting.

H.M.JR: Look, Dan Bell is here - the two Bells, and Gaston - a Committee. You pass on it, will you please?

MR. GASTON: Thank you.

H.M.JR: Whatever you fellows decide is all right.

MR. GASTON: Fine.

H.M.JR: I am not going to spend my time on this kind of stuff.

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MR. D.W. BELL: We wouldn't have brought it to you except for the policy of sending people abroad.

MR. GASTON: Because it was a matter of sending somebody abroad is the reason I brought it up.

H.M.JR: Yes, but Herbert, I am going to make plain the kind of thing I am going to do and am not going to do. I am not going to do this kind of stuff. The trouble is, everybody spoke up; everybody has had their finger in the pie.

MRS. KLOTZ: But you said before anybody goes abroad you wanted to clear it, as I understood it.

H.M.JR: I don't remember.

MR. C.S. BELL: Yes, sir. You wrote me a memo and I took it up with Danny in your absence, on Klaus.

MR. D.W. BELL: And I cleared that over the telephone.

H.M.JR: Well, he is not going for the Treasury.

MR. D.W. BELL: That is right. That is definitely understood.

H.M.JR: Anyway--

MR. D.W. BELL: We are to handle this case.

H.M.JR: This one, and the next person who wants to go abroad, bring it up again.

MR. D.W. BELL: That is clear!

H.M.JR: Now, what else?

MR. GASTON: I would like to whisper to you after this is over, if I may, for a moment, please.

MR. SULLIVAN: Nothing, sir.

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MR. SMITH: Allen Barth has just brought in your beginning and ending for this program. Do you want to see him before the rehearsal? They are now being copied. You can have them any time you want them.

H.M.JR: Where is he?

MR. SMITH: He has gone back to the Post.

H.M.JR: You had more nerve than I did. I never would have asked him, since he has been ill.

MR. SMITH: He likes to do it. It wasn't much of a job. They were very short, both of them. They look very good. The problem is whether the closing has the thing in that you wanted.

H.M.JR: Ask him if he could be here, say, at two o'clock.

MR. SMITH: All right, good.

H.M.JR: What shape is the thing in?

MR. SMITH: It is in good shape. The only problem we have got is that Vinson is sick and won't be on it, and Granik brought up the possibility of getting Oscar Cox to go on so we would have another active voice in it. The suspense is not going to be very much good, obviously, and Acheson is some help, but he has not got a lot of sparkle about him.

MR. LUXFORD: Oscar would be very good on it, Mr. Secretary.

H.M.JR: I would rather have Luxford.

MR. LUXFORD: It would be three Treasury men--

H.M.JR: True, but Crowley never even made an appearance up there. Why should we have an FEA man?

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MR. WHITE: I think if you are going to step outside the Delegates, I think Luxford would be better.

MR. SMITH: I go along with that.

MR. D.W. BELL: Is Eccles on?

H.M.JR: He doesn't want to be on.

MR. SMITH: He wouldn't be much help. We want somebody who will keep the thing rolling. He is the last man to do that.

MR. LUXFORD: Mr. Eccles does not want to go on because he is afraid it will give the New York Federal the chance to take the other position. I would advise Granik if he wants it, all right; if he doesn't want it, that is all right, too.

H.M.JR: Crowley took no interest.

MR. SMITH: The only reason we mentioned Oscar Cox is because Granik thought of him.

H.M.JR: I would rather have Luxford.

MR. SMITH: So would we all, I think.

That is all.

MR. GAMBLE: I have nothing.

H.M.JR: When do you want to talk to me about the Sixth War Loan?

MR. GAMBLE: As soon as we have the time.

MR. D.W. BELL: We are not quite ready yet.

MR. GAMBLE: There are several matters, I mean about setting dates for meetings, Mr. Bell.

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MR. D.W. BELL: The 18th, 19th, and 20th.

H.M.JR: How about three o'clock tomorrow - you (Gamble) and whoever wants to talk to me?

MR. GAMBLE: Fine.

MR. D.W. BELL: That is all right. We are not ready with the figures and won't be. We are just now getting into it.

MR. HAAS: About the first of next week.

MR. GAMBLE: I think the Secretary would be interested in knowing where we do stand.

MR. D.W. BELL: I was really anticipating holding my meetings with George's group this week and seeing you the first of next week.

H.M.JR: This is Bell, Gamble, and Haas.

MR. GAMBLE: Fine.

H.M.JR: Charlie, I see you have a correction in the Tribune on that currency.

MR. SHAEFFER: Yes, sir.

H.M.JR: That is all right.

MR. SHAEFFER: Got it from Dr. White.

H.M.JR: But they printed it.

MR. SHAEFFER: Yes, sir.

H.M.JR: That is the important thing. And the other thing, is Paul doing a series of articles?

MR. GASTON: Yes.

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MR. SULLIVAN: He started last week.

H.M.JR: Is that syndicated?

MR. BLOUGH: No, it is not syndicated.

H.M.JR: Is it gratis?

MR. BLOUGH: That I don't know.

H.M.JR: I thought you knew everything. Are they any good?

MRS. KLOTZ: He won't answer.

MR. GAMBLE: I have read them. I can answer that. I think they are very good technical articles, Mr. Secretary, but I can't conceive of the average Post reader getting past the first two paragraphs of any one.

MR. LUXFORD: They are worse than the Fund document to read.

H.M.JR: Is that an all-time high, or low?

MR. LUXFORD: Very technical.

MR. BLOUGH: I had pretty much that impression, because I didn't think that they were properly designed for a series of articles. If you are going to have a series of articles, every article ought to have some little element in it, or some place where you feel that you have gone some place. This is just like a long technical article which is broken up into pieces and run in installments. As a matter of fact, that is what it was.

MR. SULLIVAN: That is exactly what it was.

H.M.JR: Charlie, is this the thing that Kuhn said I couldn't have? (Refers to British Office of Information document)

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MR. SHAEFFER: No, this is from the British Information Service. We haven't got Kuhn's yet.

H.M.JR: I am not going to ask Kuhn for it.

MR. SMITH: The British Information job is better, anyhow.

H.M.JR: Kuhn wanted me to write a letter to Elmer Davis. First it was all set in code. Couldn't have it. Then he turned me down again and said I would have to write Elmer Davis.

MR. SMITH: You come under that code of censorship that G.I.'s can't get political information.

H.M.JR: Anyway, I have to go to England to find out what is going on in this country!

Was he snooty about it?

MR. SHAEFFER: No, sir. He regretted very deeply that he couldn't furnish it to you unless he got the go sign from Elmer Davis.

(Mrs. McHugh enters the conference with letter to Secretary Hull, which the Secretary signs)

H.M.JR: What else, Charlie?

MR. SHAEFFER: Nothing.

MR. PEHLE: I thought you would like to know that the Gripsholm which is sailing carries on it fifteen thousand food packages for people in concentration camps.

That is the first time that any food has been sent to people in concentration camps. We had to beat the British down on it. We had to talk the Red Cross out of space on the ship. We had to buy the food in New York. We did the whole thing. It is sailing tomorrow. It is going to Goteborg, Sweden, because it can't get into

- 13 -

Switzerland any more through French ports, and then from there to Germany for distribution by the International Red Cross. We have permission for much more, but that is the first step.

H.M.JR: Has it been announced on the Hungarian thing? Was that in the papers?

MR. PEHLE: Yes, it was.

H.M.JR: Would you mind sending it in?

MR. PEHLE: Certainly.

Two of the clippings were enclosed in that letter I wrote for you and you signed to Winant.

H.M.JR: I didn't see the clipping.

MR. PEHLE: You wanted the clippings unstapled?

H.M.JR: Yes, will you see I get them?

MR. PEHLE: Certainly.

H.M.JR: What else?

MR. PEHLE: That is all.

MR. LUXFORD: Our lunch with Sulzberger has been postponed until next week. Probably he had difficulty and I will go up to talk to them at that time.

H.M.JR: What else?

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MR. LUXFORD: One other thing is we raised with you last week the possibility of answering some questions from the audience in this program tonight. You wanted a little time to think it over.

I think some of us think that that would be an excellent idea to let part of that go right on to the radio. It would give a sparkle to the program if you are willing to do it.

H.M.JR: You mean as part of the forty-five minutes?

MR. LUXFORD: Possibly so, if it so happened that there was time. We think it would liven up the program a great deal, and you will have enough men there who can handle the questions to make it worth while.

MR. GASTON: Granik isn't allowed to do that, is he? If they are planted questions, he could do it.

H.M.JR: I am disinclined to do it. I did think it over.

MR. LUXFORD: All right. You would prefer not to have the question period after the program, too?

H.M.JR: Yes. Was there a rehearsal yesterday?

MR. LUXFORD: Yes. There will be one again at two-thirty today.

H.M.JR: I am ready.

MR. LUXFORD: All right.

MR. SMITH: We will record the one today. The machinery is all in there.

H.M.JR: George?

MR. HAAS: Mr. Secretary, in connection with the Sixth War Loan, some information by states periodically seems to me to be necessary on contract terminations and the number of people involved and also the movement of labor.

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You were interested, and have been for some time in this. Would you mind signing a letter to McNutt so we could get that--either you or Dan--maybe McNutt or somebody else? We have to do some investigation to find out where the information is.

H.M.JR: Surely. What else?

MR. HAAS: That is all.

H.M.JR: Blough, how are your conferences going?

MR. BLOUGH: Well, I was just thinking: I don't know whether to feel happy or not to report that the conferences are all going very nicely, and so forth. The reason I am not sure whether to be happy about it is that looking back to the last time I reported, I can't see that constructively we are a whole lot further along than we were then. Educationally, I suppose we are a good deal farther along.

We are hoping to begin to come to grips with Stam pretty soon, and then is when the real rub will come.

H.M.JR: Supposing you come in tomorrow about three-thirty and bring me up to date, will you? Do you have any meeting then?

MR. BLOUGH: No.

MR. SULLIVAN: I think the conferences have been very much more valuable than Roy indicates. I think although it is from the point of view of the person who sits in there and goes over the same subject with many different groups, it's really doing a great deal of good.

MR. D. W. BELL: I think it has had an excellent effect outside. I have had a good many people tell me they thought the Treasury had really done a grand thing in calling these conferences with outside groups, and it is leaving a very nice taste in everybody's mouth.

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MR. GAMBLE: Several of our chairmen have sent in excellent reports - while they were here visiting.

H.M.JR: Do you feel better, Roy?

MR. BLOUGH: I have felt the conferences were going well, and the results which Mr. Bell mentioned are present. I am gratified to get it from other sides, but, as I say, the real issue of trying to beat this into something that looks like a plan or a program is still ahead of us, and that will be where the real test will come.

So we are not over the hump yet on that. I am hopeful, though, that we will be able to do something.

MR. SULLIVAN: I'd like to attend that tomorrow, unless it is an exclusive report.

MR. BLOUGH: It is all right with me.

H.M.JR: All right. Do we have the Commissioner at two?

MR. SULLIVAN: He hasn't been attending the meetings.

MR. D. W. BELL: But he has had representatives.

MR. SULLIVAN: Norman Cann has been at almost all of them.

MR. BLOUGH: Since he came back from his trip--before that and since--Atkeson has been at all of them. The Commissioner has been represented throughout.

I might say that I am very optimistic about the development of better understanding, mutual understanding, with the Internal Revenue people. Mr. Cann is displaying an interest in the economic aspects of these problems which no one in the Bureau has ever before indicated, and I am quite hopeful that that may reflect--

H.M.JR: Will you call the Commissioner and tell him I would like him to come; if he wants to bring somebody with him it will be all right?

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MR. BLOUGH: Yes, I'll be glad to.

H.M.JR: Do you want to do that?

MR. SULLIVAN: I will do it.

H.M.JR: Three-thirty.

MR. BLOUGH: I think that is all. I will send you a few notes, but I think that is all.

H.M.JR: Harry?

MR. WHITE: I had a conversation with Keynes and one with Hilldring. They both are very much, I may say, in your corner in this issue.

H.M.JR: Which issue?

MR. WHITE: On reparations.

H.M.JR: Hilldring?

MR. WHITE: And Keynes. Keynes told me one interesting tidbit in connection with that. You remember, the boys who were reporting on reparations mentioned Keynes' statement-- I think you were present at the discussion--that he had made a year ago in which he outlined the reparations problem upon which they were basing their view of what the British position would be. Keynes said that he wanted to add to that report and made it clear to some of the people, he said, that he didn't agree with the words of his own report and recommended that the whole thing be thrown in the wastebasket, but he had been given terms of reference which did not permit him to give his own ideas.

Now, Hilldring feels very strongly the same way and feels very strongly about the fact that they haven't gotten a directive from above and have had to work out something on their own. He said if there was a modification to be made in the whole approach he would be delighted to re-examine the directives and to modify it accordingly. They would be much more in accordance with his ideas than those which are being examined now.

Incidentally, Keynes has been called back suddenly.

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He had expected to stay here to discuss matters of Lend-Lease and other adjustments for the next six months. A few days ago he got a wire to come back at once. He connects it with your visit there, of which he has some knowledge. He received some information either by cable or from some of the people here.

H.M.JR: The President liked that memorandum I handed him very much and is going to handle it, himself.

MR. GASTON: On the Board?

H.M.JR: Yes. The usual thing is, I should go see this and that person, but he is handling it himself and has already acted on it in the sense that he has given it the first push. This is very confidential. He sent a letter down yesterday to Hull. He paraphrased my memorandum as though it were his own and sent it down to Hull and asked him what he thought about it.

MR. D. W. BELL: He sent the draft of the Executive right along?

H.M.JR: No.

MR. D. W. BELL: Just the memorandum?

H.M.JR: Yes, I don't know why, but he distinctly wants to handle it himself as though it were his own.

MR. GASTON: That is a better way to handle it.

H.M.JR: Sure, that is a good way to get it through. If he doesn't want to get a thing through, he says, "You go see Cordell."

MR. GASTON: It is his idea, and later on he calls for somebody to work out a draft.

H.M.JR: That is right.

MR. GASTON: Swell.

H.M.JR: Don't breathe that, because he is doing it as though it were his own. But he liked it. He was

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unhesitating. He wants it now.

MR. WHITE: Was there any progress made in clarification of the other matter?

H.M.JR: Yes, I think so, yes. He certainly was very much interested and pleased at the news--I mean, not pleased, but interested in the news, and he is going to act on it, and I think he is going to act on it now. I think it is going to turn the whole thing upside down.

H.M.JR: Dan?

MR. D. W. BELL: Winthrop Aldrich called me yesterday and said he was back from his vacation and is prepared to come down and talk about the Dutch loan any time you are ready.

Mr. Collado of the State Department called me and said they thought that we ought to have an inter-Departmental conference on the Governmental end of it, Jesse's letter to the President, and so forth, to see whether we can't work out some agreement between the two approaches, one is a Governmental long-term loan with bank participation and allow Aldrich to go ahead with the short-term loan; they both could be ready to go along.

H.M.JR: What do you recommend that I do as far as Aldrich is concerned?

MR. D. W. BELL: Well, I told him after talking to you that you would be glad to talk to him after he got pretty well along with the Dutch--I think probably an agreement with the Dutch representatives.

Now, it is switched from a non-secured loan to a gold loan. Allan Sproul has written a letter saying he thinks if it is a gold loan it ought to be a Central Bank loan. Well, I can't see why it needs to be a Central Bank loan, because it is secured by gold. If the Central Bank of Holland were involved on the other side, I would agree with that, but being Governmental, I don't see why it can't still be commercial.

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I think maybe we should get together in our own shop on some program and then talk with State Department representatives and then have Aldrich down after that.

H.M.JR: The only trouble is, I won't be here next week.

MR. D. W. BELL: We can probably still do it this week. He is having a conference tomorrow with State. Then have Aldrich down about Friday--Thursday or Friday--Friday morning.

H.M.JR: Say ten o'clock, Friday?

MR. D. W. BELL: Yes.

H.M.JR: Who else would be in on that?

MR. D. W. BELL: I don't know that we need to have anybody except the Treasury, do you?

H.M.JR: Nobody except Treasury?

MR. D. W. BELL: Harry, and, I think, Luxford.

MR. WHITE: And possibly Foreign Funds if it involves a question of gold collateral, the Legal Division, anyway. Foreign Funds--I am not so sure--what do you think, Luxford?

MR. LUXFORD: I think it would be a good idea to have Schmidt in on it.

H.M.JR: We don't want so many people.

MR. D. W. BELL: That is only four from the Treasury.

H.M.JR: Do you want them in with Aldrich?

MR. WHITE: Oh, we thought you wanted them in to decide what the Treasury position would be. We don't need anybody except yourself and Dan.

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MR. D. W. BELL: White and myself.

H.M.JR: What else?

That is ten o'clock Friday.

MR. D. W. BELL: Back, I think, in April or May you signed a letter to the State Department regarding the rate of interest Lend-Lease wanted to charge Russia for the long-term credit under the Lend-Lease Act and told them that you thought that probably an average rate on Government debt would be about right. The Russians don't want a flexible rate; they want a fixed rate; so when they asked for a fixed rate we said, "All right, two and a half percent." On a long-term loan, that is what we pay for our money.

They don't want a two and a half, but a two percent. They then wanted to have us figure out how much we would have to pay for money on a thirty-year loan amortized over the thirty-year period, which would average between fifteen and eighteen years with the breathing spell of five or six years.

We told them it would cost us two and three-eighths on the present market, and that is the rate that the State Department is trying to stick to. But still the Russians don't want to pay that two and three-eighths. In discussing it last week--Mr. Glasser and myself--we wondered why we would have any rate of interest. Aren't we sort of fooling ourselves on this whole Lend-Lease matter by charging a rate of interest and giving an eight-year breathing spell before they start to pay any principal? It seems to me it would be the sensible thing to say, "Pay the principal back over twenty years and start right at the beginning," rather than paying interest, and we would be better off in the end.

H.M.JR: With no interest?

MR. D. W. BELL: No interest. I just thought it out.

H.M.JR: I don't want to give a curbstone. I would like to think about it and talk about it with some of the people.

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MR. WHITE: I think it needs to be re-examined, because there is not only that in the picture, but there are also some serious questions they are raising as to the price that you will be paid for some of these commodities. Glasser left me a note, and I have thought a little bit about it, and I think that what he says is right, the thing is getting into a kind of an unfortunate direction and log jam and needs to be re-examined. So if you want to set some time to go into the thing--

MR. D. W. BELL: The cost of the goods is laid down in Russia. Now they want some big discount in prices and taxes and a little bit of everything thrown in. I don't think we ought to get into that.

MR. WHITE: I think it needs to be re-examined.

H.M.JR: It is too important just to give a curbstone on.

MR. D. W. BELL: I am not really asking you for an opinion; I am just telling you the situation, and that we should have a conference on it.

H.M.JR: All right, what else?

MR. D. W. BELL: I have a number of things and some letters to sign.

H.M.JR: Is it stuff you want done today?

MR. D. W. BELL: There is one thing I have to have an opinion on for a hearing tomorrow morning.

H.M.JR: I will see you at twelve o'clock.

MR. D. W. BELL: All right.

H.M.JR: No, let's make it twelve-thirty. Do you have something then?

MR. D. W. BELL: No, that is all right; that is a little better. I have nothing else.

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By the way, did you make an appointment with Thurman Hill for today?

H.M.JR: It is a quarter of twelve.

MR. D. W. BELL: I will give you these. (Hands the Secretary Mr. Hill's letter of resignation and the Secretary's acknowledgement, which he signs.)

H.M.JR: What is he going to do?

MR. D. W. BELL: He is running for the Senate. This is in the form of a letter. He should sign the letter so it could be made public along with your letter of acceptance.

H.M.JR: I never called the man Thurman in my life. I don't think I have seen him more than once.

MR. D. W. BELL: We can change that if you want us to.

MR. LUXFORD: Do you state in that letter that if you were a citizen of Kansas you would vote for Thurman? (Laughter)

MR. WHITE: You mean there is just as much likelihood in either case.

MR. SULLIVAN: That phrase isn't as potent as it once was.

H.M.JR: That was the President to Wallace, wasn't it?

MR. GASTON: Yes, that was.

H.M.JR: Doesn't one learn by mistakes?

MR. D. W. BELL: That is all.

MR. C. S. BELL: The Bureau of the Budget requested us to take over some seven hundred employees from the OPA and WPB and handle in the future all of their mimeograph and

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multilith work which would fall in the Procurement Division. They have eliminated the Central Administrative Services in Nelson's organization, and they are trying to piece the essential work out all around the Government.

Danny and I have discussed it, and we think it is a good piece of permanent work for the old-line Procurement Division to do under Cliff Mack. There will be seven hundred people involved, four hundred here and three hundred in the field.

H.M.JR: Seven hundred people? To do what?

MR. C. S. BELL: To handle all of the OPA and WPB mimeograph work.

H.M.JR: If they don't come out on time with the price of apples, it is because Procurement didn't do the mimeographing.

MR. C. S. BELL: I think they will get it out on time possibly much better than it has been gotten out in the past. Olrich is in accord with it.

MR. WHITE: What happens to those seven hundred employees when the OPA and WPB quit?

MR. HAAS: They are surplus.

MR. SULLIVAN: The same thing as though they were elsewhere.

MR. C. S. BELL: It will be a headache to get rid of them.

H.M.JR: Who wants to wish this on us?

MR. C. S. BELL: The Bureau of the Budget. They were asked by Congress to peddle this work out as far as they could in the old-line agencies because Congress has no confidence in the Central Administrative Services. That was headed by Sherwood, who was once with us--Sidney Sherwood.

MRS. KLOTZ: Your friend.

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H.M.JR: He is my friend.

Is this the thing that they had under the White House?

MR. C. S. BELL: Yes, sir.

MR. D. W. BELL: Part of the Executive Management.

MR. C. S. BELL: The Central Administrative Services are being dismembered, yes, sir. It grew too large.

MR. D. W. BELL: Just what takes place every time you do something like that. Each agency had its own administrative services when they got through, so now they have a duplicate set.

MR. C. W. BELL: WPB would have their organization in Kansas City, and OPA is there. This way they will have one organization.

H.M.JR: This is just for Washington?

MR. C. S. BELL: This is the field as well.

H.M.JR: Suppose we don't take them?

MR. C. S. BELL: Then Budget would be in the position of trying to find some other agency to take it over. They rather earnestly requested that we do it.

H.M.JR: Do you men feel that way?

MR. D. W. BELL: I think it is a Procurement service they ought to perform down there. Ernest Olrich didn't want to do it at first; he said he had enough problems. I said that that is what Procurement was set up for, to render a service of this kind, and I didn't think we could dodge it.

MR. C. S. BELL: Congress has also taken away from the Civil Service Commission the appointing power on attorneys. We do that ourselves from now on.

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H.M.JR: What do I get now?

MR. WHITE: What is that, Charlie?

MR. C. W. BELL: They want a committee set up within the Department to pass on all appointments.

MR. WHITE: Why attorneys and not economists?

MR. D. W. BELL: Or bookkeepers?

MR. WHITE: Have you fellows been pulling some strings?

MR. LUXFORD: No, there is a long evolution on this story. It started with the committee that was set up to pass on the sort of legal examiners which Congress always attacked, and the lawyers always said that Civil Service wasn't adapted to handle the testing of lawyers.

MR. WHITE: But they are adapted to test other professional jobs.

MR. LUXFORD: The lawyers are articulate. They have been fighting their position. While they lost on the question of legal examiners, they also stopped the Civil Service from handling it. Now we will do what we have always done, decide who shall be hired by the Treasury within the Treasury.

MR. D. W. BELL: I think it is terrible.

MR. C. S. BELL: All the work of the President's Committee on Civil Service is thrown in the wastebasket.

H.M.JR: What has McReynolds to do now?

MR. WHITE: Carry the wastebasket away.

H.M.JR: That leaves nothing for Mr. Jones.

MR. C. W. BELL: Ted cleared four men for Europe while you were away with Danny and myself.

H.M.JR: He spoke to me about that.

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MR. C. S. BELL: We have a little pamphlet we would like to send out. This is on our expanded public health service. We have a brand new public health unit downstairs that I would like you to see sometime when you have the time.

H.M.JR: May I just glance at this (indicating health service announcement)?

Incidentally, I give orders that nobody can go overseas, and then when it gets tough I am reminded of it. The order I meant is, I said that I wanted to see any enclosure that went out in a Treasury envelope. Now, I don't see it. There are several that are going out in Treasury envelopes which came my way which I had never seen and never approved.

MR. D. W. BELL: Mr. Secretary, you have been away a good deal in the last two months, and I have been approving them.

MR. WHITE: I don't get it.

H.M.JR: Will you get by tomorrow the exhibit of the various enclosures which go out in Treasury envelopes, see, so people like myself and others who are interested can see them, because there are several there that I question?

MR. C. S. BELL: Yes, sir.

MR. D. W. BELL: I think I approved all of them. I don't know, maybe there are some--it goes out in disbursing.

H.M.JR: But the one on the refund of taxes--I am quite sure I never saw that. Anyone who gets a refund on taxes gets a slip.

MR. D. W. BELL: I don't remember whether you approved it or not. Fred did, I am sure, and it went through Ted's shop. We had quite a wrestle with him before we let it go.

H.M.JR: A number of these come my way in my own name. I got a refund.

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MR. D. W. BELL: Did you invest it in savings bonds? That was the idea behind the slip.

H.M.JR: Well, it is just a question, I think, of the repercussions if you want to tell a person what he should do with his money.

MR. BLOUGH: You want personally to see that tax returns and things like that--

H.M.JR: ...that go out in regular Treasury mailings.

MR. D. W. BELL: Like things that go out with the Disbursing Officer's check--you put in a slip. That is what he means.

H.M.JR: It had all kinds of pictures on it. There is always a war bond plug on the thing.

MR. D. W. BELL: We put one out for transportation people, also, not to travel.

H.M.JR: Charlie, will you get me an exhibit?

MR. C. S. BELL: Yes, sir. We have renumbered the building, by the way, added one more floor on top.

MR. WHITE: He added another floor to this building.

MR. C. S. BELL: Yes, sir, this building.

MR. GASTON: You are on the third floor now.

H.M.JR: Really?

MR. C. S. BELL: You approved that quite a while back.

H.M.JR: In other words, I have been kicked upstairs!

MR. C. S. BELL: Harry wanted to know whether he could get some space on the new fifth floor.

H.M.JR: Why didn't you put up a barrage balloon and hang Harry's people from that?

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MR. C. S. BELL: We will have to do something like that soon.

MR. WHITE: If they have got to hang, that is as good a place as any!

H.M.JR: I am on the third floor?

MR. C. S. BELL: Yes, sir.

MR. SMITH: Wait until you try to find somebody.

MR. SULLIVAN: What is the number of your own room?

MR. SMITH: I haven't the faintest notion. I went around the hall seven times trying to find Luxford, and he is in the same office he has always been in.

MR. SULLIVAN: You never thought of that?

MR. SMITH: No. I was trying to scratch the white paint off the doors where you covered up the old numbers.

H.M.JR: Why didn't you wait until the election was over?

MR. C. S. BELL: This is a good system. This will make for a lot of votes.

MR. SMITH: Wait until the Dies Committee tries to find somebody in this place!

MRS. KLOTZ: That is one of the ideas.

MR. C. S. BELL: That is all, sir.

H.M.JR: All right. Now I will let you (Gaston) whisper.

AUG 22 1944

Dear Thurman:

I have your letter of August 21, 1944, advising that you have been selected by the Democratic State Committee of Kansas to run for the United States Senate against the present incumbent and tendering your resignation as Chief Counsel for the Procurement Division of the Treasury Department.

During the time you have been with the Department, first as Special Assistant to the General Counsel and for the past two years as Chief Counsel for Treasury Procurement, your work has been of the highest order. The problems with which you have been faced and with which you have dealt so successfully have been extremely important ones from the standpoint of the war effort and your contribution in that respect has been most valuable. For those reasons I am reluctant to see you leave the Treasury.

On the other hand, I thoroughly appreciate your desire to resign in order to make the race for the Senate and I feel that I must accept your resignation so that you may do so.

With good wishes for your success,

Sincerely,

(Signed) H. Morgenthau, Jr.

Thurman Hill, Esq.
Chief Counsel
Procurement Division
Treasury Department
Washington, D. C.



PROCUREMENT DIVISION
LEGAL SECTION
IN REPLY PLEASE QUOTE

TREASURY DEPARTMENT
WASHINGTON

August 21, 1944

SECRETARY MORGENTHAU:

The Democratic State Committee of Kansas has selected me to make the race for the United States Senate against the present incumbent, Senator Clyde M. Reed.

Naturally, I feel highly honored and, since it is a great privilege to seek election to the Senate and to be on the same ticket as the President, I deemed it my duty, as well as pleasure, to accept the official action of the State Committee. Therefore, I tender you my resignation as Chief Counsel of Treasury Procurement, effective at the close of business on August 28, 1944.

For more than nine years I have had the pleasure of serving your office, first, as special assistant to the General Counsel and the past two years in this position.

Shortly after Pearl Harbor, and as an added duty, you did me the honor of having me head up the investigation of the American Bosch Company which resulted in the control of that important war plant being taken away from German hands and turned over to the Alien Property Custodian.

I am very proud, too, of the work done by my legal staff in the Procurement Division. We have passed on the legality of thousands of Lend-Lease contracts (over 62,000 having been executed) calling for the purchases of Four Billion Dollars worth of supplies for the Allies. Except for rare cases there has been no criticism of these vast purchases. We cut red tape, streamlined the official purchase contracts, and gave your office 24-hour legal service.

While I regret leaving this important war work, I know the opportunity as candidate for the United States Senate to present the cause of liberal government, as exemplified in the principles enunciated by our great President, is a great one.

I want you to know that I appreciate the courtesies you have extended me in the past and to wish you continued success and good health in the future.

Thurman Hill

Thurman Hill



GENERAL COUNSEL
TREASURY DEPARTMENT
WASHINGTON

August 21, 1944

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Sincerely yours,

Thurman Hill

Thurman Hill

Honorable Henry Morgenthau, Jr.

Secretary of the Treasury

August 22, 1944
12:08 p.m.

Secretary
Stimson: Hello, Henry.

HMJr: How are you?

S: I'm first rate. I can't give you as good a lunch as you give me but I can give you something; can you come around and see me -- take lunch with me?

HMJr: I'd be glad to tomorrow.

S: Oh, I was hoping you could come today.

HMJr: No, I can't make it today.

S: Well, unless there's some -- the President is looming in the offing. He's -- I haven't seen him since June.

HMJr: Yes.

S: He has intimated -- sent word to me that he wanted to see me and that he's coming back Wednesday.

HMJr: Yeah.

S: He might possibly get back tomorrow, you see?

HMJr: Well, do you mean for lunch?

S: For lunch.

HMJr: I don't think he has any of us for lunch any more.

S: That's true. He does -- he has slowed up on that.

HMJr: I think he's -- I think he eats with the family.

S: I wish you could come now, because I -- I -- it's my -- it's my fault for being so slow, but I've been swamped here. I got in yesterday afternoon.

HMJr: Well, I -- I -- I couldn't come today.

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S: You couldn't come today?

HMJr: No, I'm sorry. I've got a

S: I wanted to see you. I'm -- I'm seeing some English people tonight and I wanted to see you before that because I understood you have some knowledge about

HMJr: Yeah.

S: things that happened in England, or from the East.

HMJr: Well, if you can't do it, I could

S: I wanted to know it before I struck these people.

HMJr: Yeah. Well, you see it's -- I can't -- I've got these people coming. It's ten minutes past twelve now.

S: Yes, well, I understand. Well, I can -- I can have it tomorrow, but I

HMJr: Yes.

S: it would -- would have fitted in a little -- it would forearm me a little more if I could see you now.

HMJr: Well, I'd love to but it's so late in the day, Harry.

S: I know. It's my fault, but I've been out. I've been over at the State Department.

HMJr: Well, how would you like to leave it?

S: Tomorrow. Come tomorrow provided I don't get called to the President.

HMJr: All right. He still has right-of-way.

S: He still has right-of-way. (Laughs)

HMJr: Will there be anybody else?

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S: No, just you alone -- I mean, unless you want someone.

HMJr: No.

S: Just a little private luncheon in my room.

HMJr: I'll be delighted.

S: And what hour

HMJr: What hour?

S: What hour would

HMJr: One o'clock?

S: One o'clock is all right.

HMJr: One o'clock.

S: All right, tomorrow.

HMJr: And I'm sorry but it's -- I couldn't rearrange my day.

S: All right. Thank you very much.

HMJr: Bye.

August 22, 1944
1:04 p.m.

HMJr: Henry Morgenthau.

John McCloy: Yeah. How are you?

HMJr: I'm fine. The President of the United States is entertaining the President of Iceland Thursday night.

M: So I hear.

HMJr: Are you invited?

M: No, I'm not but I just hear that the President of Iceland is in -- is in town.

HMJr: So

M: Yes.

HMJr: there goes our dinner engagement.

M: Yes. Okay.

HMJr: Now

M: That -- that -- that takes rank -- that takes precedence.

HMJr: Now -- well, you -- it's a little -- now, what I was thinking was this: I'm coming over to have lunch with Stimson

M: Yes.

HMJr: tomorrow.

M: Yes.

HMJr: And what I was going to tell him

M: Yes.

HMJr: I'd like very much if you could be there.

M: Well, I -- of course, I'd like to do it. He -- as a matter of fact, I suggested today that he call you up.

HMJr: Yes.

M: That it was time that you had a chat with him.

HMJr: Yes.

M: And -- uh -- I guess he's done it.

HMJr: Yes.

M: I'm sure he did.

HMJr: Yes, he did.

M: Yeah. And, of course, I'd love to hear that.

HMJr: Well, why don't I call

M: You call him and make that suggestion.

HMJr: I'll call him and suggest that you be present.

M: Yeah. Okay.

HMJr: How's that?

M: That's all right. Thanks.

HMJr: And then

M: That'll be fine. You're coming over here as I understand it.

HMJr: I'm coming over there.

M: Good. Good.

HMJr: Right.

M: All right.

HMJr: Thank you.

M: Got a lot of things to talk about.

HMJr: Thank you.

M: Okay.

HMJr: Good bye.

MEMORANDUM FOR THE FILES

Meeting in Mr. White's Office, August 22

Present: General Hilldring, Civil Affairs Division, War Department
Messrs. White and Taylor, Treasury Department

General Hilldring called to discuss with Mr. White some of the matters that had been reviewed in London by the Treasury representatives on the recent visit of the Secretary to that area. Mr. White informed the General of conversations of the Treasury mission with General Eisenhower, General Bradley, General Holmes and General McSherry and other military people. He called the General's attention in particular to the conversation with General Eisenhower, in which the General had stated that he was in favor of letting "Germany stew in its own juice" for the first several months immediately following our penetration into the area. Mr. White stated that this was the view which met with the concurrence of the Treasury, because it was felt that under the conditions that would prevail in Germany following our occupation, it would be neither desirable nor possible to control the German economy in the first several months at least.

General Hilldring informed Mr. White that he was in complete accord with these views and that if the War Department directives were not all that they might be in this regard, it was because the War Department was reflecting the attitude of a policy determined by other agencies or departments of the Government. He said that he could appreciate the position in which the U.S. officers were placed in London, and that in the absence of directives to the contrary, their planning was based upon the desire of doing as good a job of military government as possible. General Hilldring added that if this matter was to be clarified and corrected, it could only be on the basis of an order from the highest officials within the Government. He said that he and other people within the War Department had been seriously disturbed by a good deal of the thinking that had been going on in the Government, which was obviously designed to treat Germany in an easy fashion, in order to restore her economy as quickly as possible, so that she might resume membership in the family of nations at an early period.

The General stated that he agreed entirely with Mr. White that the prime concern in treating with Germany was not reparations or other such matters, but rather the fact that we must be sure we are not doing anything to put Germany into a position where she can wage war again in our time. The General said that he had been studying the German picture ever since the first world war and that unless we took counter measures at this time, we could rest assured that the German professional military people would immediately begin to lay the foundations for a third world war. In this connection, Mr. White pointed out that already certain leaders in the German military

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were calling upon the German Army and people to stop the war because it had already been lost through faulty political strategy indulged in by the Nazis. In these comments of German generals, there was no evidence that they considered the war itself to have been wrong; rather they considered that the current mixture of Nazi politics with militarism led to the present disaster. Mr. White said that the German military would immediately begin to study in detail the lessons of this war, with the object of avoiding the mistakes that had been made, in the planning of the next one.

General Hilldring stated that he hoped to go to London some time next week and that he would review the situation there at that time. He again reiterated the necessity of having a clear directive from higher authorities, if anything was to be done in regard to current planning.

W. H. Taylor

8/22/44

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COPY FROM WHICH SECRETARY READ AT AMERICAN
FORUM OF AIR BROADCAST ON AUGUST 22, 1944.

INTRODUCTION

MR. GRANIK: At Dumbarton Oaks here in Washington, the major nations are drawing the blueprints for an international organization which will make for a durable peace.

World security, we have come to know, depends in large measure upon economics. Trade balances, import and export restrictions, international loans and currency exchange are major factors.

It was natural, therefore, that the nations of the world should consider monetary matters before they took up security. An International Monetary Conference was called last month at Bretton Woods, New Hampshire, and 44 nations sent delegations.

From that conference emerged two proposals: an International Monetary Fund and an International Bank for Reconstruction and Development. These are merely proposals which must be accepted by the governing body of each of the 44 nations, just as our own Congress must agree on behalf of the United States.

The proposals are in the technical language of diplomacy and economics which few Americans have been able to understand. Yet this Fund and Bank may have a profound influence on world stability for generations.

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For this reason, the American Forum of the Air is planning several discussions on the Fund and the Bank. To lay the groundwork for the presentation of forum debate on the merits of these plans at later dates, tonight's program "The meaning of Bretton Woods," will present an explanatory picture.

We are fortunate to have with us on this evening's broadcast six of the American delegates. They are:

MR. HENRY MORGENTHAU, Jr., Secretary of the Treasury;

SENATOR CHARLES W. TOBEY, of New Hampshire, ranking Republican member of the Senate Committee on Banking and Currency;

REPRESENTATIVE BRENT SPENCE, Democrat, of Kentucky, Chairman of the House Committee on Banking and Currency;

MR. DEAN ACHESON, Assistant Secretary of State;

MR. E. E. BROWN, President of the First National Bank of Chicago, and President of the Federal Advisory Council of the Federal Reserve System; and

DR. HARRY D. WHITE, Assistant to the Secretary of the Treasury.

Secretary Morgenthau, as President of the Conference, will you tell us generally about Bretton Woods?

SUGGESTED OPENING REMARKS FOR SECRETARY MORGENTHAU

A month has passed since the United Nations Monetary and Financial Conference at Bretton Woods, New Hampshire, came to its successful conclusion. We have had time to study the accomplishments of that meeting and to weigh their meaning for our security and prosperity in the postwar world. That is what we are going to talk about in this forum discussion here this evening.

To my mind, the most important fact about the Bretton Woods Conference -- more important even than the agreement reached by the 44 participating nations -- was the spirit in which men from many different lands approached a problem which they knew they could solve only through cooperative action. They knew from the tragic experience of the two decades which followed the last world war that if their countries tried again to achieve economic security through separate national action, they would achieve in the end only economic chaos and economic aggression. And they knew that these lead inevitably down the road to war. The alternative to economic cooperation is economic warfare. And economic warfare is but the initial phase of armed conflict.

They met, therefore, determined to uproot at least this particular cause of the frightful tragedy through which the world is now passing. They met with faith in one another's

good will and with faith in their common capacity to solve a common problem. They met determined to find a solution. And, although the solution was not easy, they found it. This is a hopeful augury, I think, for the important ~~military~~ security conference which opened today at Dumbarton Oaks here in Washington. Men have learned at last that the hopes they share can best be realized by a joining of their hands.

At Bretton Woods we agreed upon two instrumentalities to help one another toward a secure and stable economic world -- an international monetary fund and an international bank for reconstruction and development. Some of the American delegates to the conference are here tonight. I think it would be helpful if they were to give you their impressions of what was accomplished.

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Question 1: MR. GRANIK: Now, Mr. White, one of the things that I have discovered about the Bretton Woods Conference is that very few people understand either the Fund or the Bank. They feel that the agreements are written in such technical language that the ordinary man-in-the-street can't understand them. Now, I would like you, in a few words, to describe the Monetary Fund.

Answer: MR. WHITE: The Monetary Fund is designed to accomplish three very simple but very important things. First, machinery is set up so as to promote stability of exchange values of the currencies of the world. This stabilizing of currencies is of the very first importance if we want a healthy development of world trade. It is necessary so that the American manufacturer selling his products can count on getting paid in currencies that will have a stable value in relation to the dollar.

Secondly, measures are taken to prevent countries from pursuing the kind of economic warfare and cut-throat practices in their international monetary dealings which result only in a disruption of trade and eventually in depreciation.

Thirdly, in order to help member countries stabilize the value of their currencies, each member puts into a common revolving fund gold and his own currency. From this common revolving fund members can draw foreign currencies in time of need, but as their position improves they must restore what they have drawn. This permits countries to pursue the kind of conservative and sound monetary practices which help to maintain prosperity and peace.

MR. TOBEY: In a nutshell then, the Fund provides international machinery for stabilizing the values of foreign currency and for playing the financial game fairly in the field of foreign trade and commerce. If countries which are fulfilling these obligations get into trouble, the Fund stands ready to make its resources available to help them over a crisis --

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MR. WHITE: Exactly.

MR. TOBEY: No more resorting to share practices such as depreciating currencies, imposing restrictions on the payment of goods they have bought from other countries and all the other tricks which Nazi Germany has taught the world.

MR. WHITE: That is right. During the entire thirties it was precisely those practices which Germany followed and which resulted first in currency depreciation and eventually contributed substantially to the war.

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MR. GRANIK: I think the public is just as foggy about the Bank as they are about the Fund, and would like to hear a similar explanation of the International Bank for Reconstruction and Development.

QUESTION 2: MR. WHITE: Dean, why don't you go ahead and describe the Bank? You led the American Delegation on the Bank Commission.

Answer: MR. ACHESON: Well, the main purpose of the Bank is to encourage investors in countries which have capital to lend that capital to countries where funds are needed but are not available. The Bank has two main jobs in that connection; one is to guarantee the loans which are made by the private investors, and the other is to lend funds out of its own capital. The countries which join the Bank will subscribe to capital stock in the Bank. Their subscription will take two forms; they will pay in a small amount of their subscription in cash, and the rest of their subscription will be in the form of a guarantee which may never be called on, but which can be called on if any of the borrowers default on their loans.

This way the Bank will not in any sense whatever interfere with the flow of private investment, but will encourage that, and secure it through its guarantees. It is only where private investors do not come forward that the Bank will make loans out of its own capital.

MR. TOBEY: Amplifying what Dean Acheson said, I would add that loans in which the Bank are interested would be only for the purpose of rebuilding industries, public utilities, and so forth, in war devastated countries, and developing natural resources, public utilities and industries in under-developed countries.

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Question 3. MR. GRANIK: Mr. White, Just what is the relationship between the proposed Monetary Fund and World Reconstruction Bank?

Answer. MR. WHITE. They are wholly separate institutions. They are, of course, institutions which both deal with financial problems, but they deal with them in very different ways. The Bank is designed to help promote long-term international capital investments. The Fund provides machinery for the purpose of stabilizing foreign exchange rates and for eliminating economic warfare and aiding international trade.

The more successfully the Bank operates, the more effectively will the Fund operate; and the more effectively the Fund operates the more successfully will the Bank operate. They are, however, completely separate.

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Question 4. MR. GRANIK; Can you tell us something about what the Monetary Fund Plan means from the standpoint of our tariffs? You know the Fund will be given certain powers to bring about changes in trade policies. We might be forced by the Fund to lower our tariffs. Congressman Spence, do you want to Comment?

Answer. CONGRESSMAN SPENCE: I would say that the Fund has nothing to do with the tariff policy. The question of shaping the tariff policy is exclusively a matter for Congress to determine. The Fund makes no provision and makes no reference to questions of tariff policy. It merely is designed to provide machinery for stable exchange rates. Of course, tariff policy does have some bearing on the question of trade, but that is a matter that is to be settled wholly by Congress, and in no way appears in any of the powers or any of the provisions in the International Monetary Fund.

MR. TOBEY: Right there, Congressman Spence, we Republicans, and Democrats as well, must learn the fundamental lesson that if nations are going to buy our goods they must be able to sell us in return.

MR. WHITE: That is quite true, Senator, but that is not something which this Fund has any control over.

MR. TOBEY: But that document is pro bono publico. It is time to enunciate it.

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Question 5. MR. GRANIK: Secretary Morgenthau, one newspaper writer has called the Bretton Woods plans an international WPA. How do you feel about that? Did you find that the foreign countries were motivated by what they thought they could get out of the United States through the Fund or the Bank, or did you find a spirit of real cooperation evident?

Answer: SECRETARY MORGENTHAU: The Fund has nothing to do with either relief or rehabilitation. These are the responsibility of UNRRA. The Bank is intended to finance sound and productive reconstruction projects. They are no more WPA projects than are the loans of any private bank. They will help self-respecting peoples to get back on their feet economically and thus to buy the goods which we produce. As to the spirit which motivated the representatives of these peoples at Bretton Woods, I think I shall ask Senator Tobey to give you his reactions.

TOBEY (Picks this up)

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Question 6. MR. GRANIK: Mr. Brown, there has been a lot of talk that the U. S. dollars in the Fund will become exhausted, and the Fund break down? Will we not be called upon to replenish these dollars?

Answer: MR. BROWN: There are three parts to that question. In the first place, it is not likely that the dollars in the Fund will be quickly used because they constitute a revolving fund and provision is made for the Fund recapturing dollars as the financial position of countries improves. They may be used for a period of a number of years, but there are ample safeguards in the Fund to prevent dollars from being used very quickly.

Secondly, even if they are used, in no sense will the Fund break down. There still will be some forty or fifty currencies in the Fund, and they will continue to do business with each other just the same as they would with the dollars. After all, the amount of foreign trade which the United States has represents a small proportion of the total world trade.

Question 7. MR. GRANIK: Mr. Secretary, we have heard it said that if the U. S. joins the Fund and Bank we will be throwing our money away. How about it?

Answer: SECRETARY MORGENTHAU: Well, to date, this war has cost the American people over two hundred billion dollars. In order to set up the Bank and the Fund, this country is asked to invest six billion dollars, which is less than the war costs us each month. Moreover, there is no reason to believe that we shall lose this investment. Every possible precaution was taken at Bretton Woods to protect both institutions against loss, and to insure them against abuse. The investment should be returned to us many times over in a revival of trade.

The Bank and the Fund will help preserve the peace for years to come, and for that reason alone, they are well worth our investment in them.

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Question 8. MR. GRANIK: Mr. Brown, there is a good deal of talk about how the Fund and the Bank will help American foreign trade. Most of this talk is pretty general. I would like to hear one of the delegates explain how they think it will actually help the American foreign trade.

Answer. MR. BROWN: It is important to bear in mind the tremendous productive capacity of this country, particularly as it has been developed during the war. If we are going to keep these enormous productive facilities in operation and thus our people employed, it is imperative that we have a high level of foreign trade. Otherwise this country will be ripe for a real depression.

Both the Fund and the Bank are designed to maintain level of world trade at high levels--much higher in fact than was ever the case before the war. Keep in mind that an economically stable and prosperous world is the best insurance for prosperity in the U.S.

Other countries, not the United States, have engaged in pernicious currency practices which restrict trade. These practices will be outlawed under the Fund. Currency values will be stabilized which means that when the American exporter sells \$10,000 worth of goods abroad he will get foreign currencies worth \$10,000 in return. Countries having temporary currency difficulties will have access to the Fund to enable them to solve their problems without stifling trade.

Most of the borrowers whose loans will be guaranteed or made by the Bank will need U.S. dollars to purchase goods in this country. This will increase American exports. When the productivity of other countries is increased, the people of those countries will have larger incomes with which to buy American products.

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Question 9: MR. GRANIK: Mr. Secretary, wouldn't the establishment of the Fund mean more government control over foreign trade? Is it true, as some state, that if we adopt the Fund, foreign trade will have to be taken over by Government agencies. How about that?

Answer: SECRETARY MORGENTHAU: No, the exact opposite of that is true. I should think that the Bank and Fund were absolutely essential for American foreign trade. So far as the Fund is concerned, the Fund gives assurance to the American producer who wishes to sell his goods abroad that he can find a medium of payment for those goods which will be stable and predictable. To workers and manufacturers it means that people abroad will be better able to buy the materials which they produce.

MR. TOBEY: The U.S. leaves its traders free to buy and sell where they please and operate under the rules of free competition. This right can be effective only if other countries do not restrict the freedom we give our traders. The U.S. can insure such freedom only through international cooperation. Thus, rather than increasing government controls, the Fund is an effective way of reducing the exercise of such controls by other countries.

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SECRETARY MORGENTHAU: Very much so, Senator.

MR. WHITE: Don't you think it might be well to point out, Mr. Secretary, that the foreign trade will continue to buy and sell as foreign exchange from the regular channels which he has always been doing business with, and that the Government in no way interferes or intrudes in his arrangements? The businessman, himself, will have no dealings with the Bank or the Fund, and he will only know they exist because they will very much increase the possibilities of doing business with other persons who through their governments are able to get the wherewithal to pay for it.

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Question 10: MR. GRANIK: Since the Bretton Woods Conference, Mr. Brown, I have had a number of business and banking leaders ask me how the proposed Monetary Fund and the proposed World Bank will affect existing investments abroad, and also the war debts and lend-lease.

Answer: MR. BROWN: So far as the latter is concerned, the war debts and lend-lease, the Fund and the Bank have nothing to do with that. Neither the Fund nor the Bank are being established to handle old debts. They are not intended to deal with war debts arising out of either World War I or World War II. After the last war this country attempted to lift itself by the bootstraps by loaning countries the money with which to pay their debts to us. As we all know, it was a sad experience and one which will not be repeated in the Fund and Bank. Fund and Bank are concerned, rather, with getting the war torn and under-developed countries of the world back on their financial feet and establish them again as going concerns. Their tasks are confined to the opening up and maintenance of trade and with the reconstruction and development of the devastated and under-developed countries of the world. These are man-sized tasks by themselves without attempting to burden these institutions with the liquidation of war debts.

MR. WHITE: In other words, Ned, it is your thought that the Fund is designed exclusively to raise the level of trade to do more business and to promote the flow of capital in the future, and is not designed to liquidate any of the past debts.

MR. BROWN: That is correct. On the other hand, so far as the effect of the Fund and the Bank on existing private investments abroad is concerned, I should suppose that it would have an extremely beneficial effect by raising the level of prosperity abroad, which would in turn increase the value of American investments and increase the likelihood that debtors abroad would be able to pay off their debts.

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MR. TOBEY: And we have produced unity among the nations which is a very real factor in the balance sheets internationally.

MR. BROWN: That is correct.

MR. WHITE: The greatest threat to the security of foreign investments that already exist is a depression, and one of the contributions which this Fund and Bank could make would be to prevent a depression; it would help prevent defaults on loans which have already existed in the past.

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Question 11: MR. GRANIK: I would like to give Senator Tobey this question: Some people I have seen have asked me whether a country couldn't make use of the resources of the International Monetary Fund or the World Reconstruction and Development Bank in a way to enable it to prepare for aggressive war. They ~~will~~ be afraid we will be financing Germany's preparation for another war.

Answer: SENATOR TOBEY: I think they are very separate questions. So far as the Bank is concerned, it is clear that they cannot possibly use borrowed funds for such purposes. Even more than that, the existence of the Bank would probably prevent a repetition of what happened in the '20's, in which Germany borrowed from a lot of private individuals and used funds which eventually were employed for war purposes. Now, that would be much more difficult with the Bank in existence, because the Bank would have knowledge of and would have an interest in the purpose for which any loan was made, so I should say so far as the Bank was concerned, instead of its making possible loans for such purposes, it not only prohibits the use of the Bank's resources for such purposes, but even makes difficult the use of private funds for such resources. Of course, there is nothing in the Bank which will in any way prevent a private investor from making any loan that he pleases for any purpose, but the information will all be available to the Bank; and if the Bank's assistance is asked for either by way of a guarantee or by way of participation, that assistance would not be forthcoming if the purposes for which the loan is to be made has anything to do with war purposes or other non-productive uses.

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MR. ACHESON: Would it, in your opinion, be correct to add, Senator, that so far as the Fund is concerned the Fund would go a long way to assure that the types of financial control used by Germany in building up its preparation for war could not be used by any aggressor nation in the future?

SENATOR TOBEY: I think that is one of the important objectives of the Fund, and part of the important machinery is designed to prevent that very possibility.

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Question 12: MR. GRANIK: I have a question here to Mr. Brown: Much of the criticism of the International Stabilization Fund and the Bank has come from bankers. Some are wondering whether this may be because the Fund and Bank would compete with the banker or take business away. Would that be the case?

Answer: MR. BROWN: In the first place, I don't think that all the bankers are against the Fund and Bank. I know some of my friends are not against them but are supporting them. I hope that the more bankers will have an opportunity to study the proposals the more they will be for them.

MR. SPENCE: Mr. Brown is President, I believe, of the sixth largest bank in the United States, and he is for it.

MR. BROWN: Not only am I for the Fund and Bank, but I have a lot of colleagues who also agree, and instead of making less business for the banks, they will make a lot more business for the banks, because the level of trade is higher--they buy and sell more foreign exchange. Of course, the exchange speculator who prospers on depreciation will not be very happy about the creation of this Fund.

MR. ACHESON: Furthermore, the bankers can expect a great deal of help from the International Bank through the guaranteeing of loans, which they in the first instance may originate.

MR. WHITE: Yes, Dean, wouldn't you agree that so far as the investment bankers are concerned, they would be all for the Bank, because it means they will do very much more business and their aggregate earnings will be very much greater because they will be selling much more bonds to their clients and selling their bonds with a clear conscience and a knowledge that those bonds are good.

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SENATOR TOBEY: As a matter of fact, going back to the epic of the Conference itself, the New York Herald Tribune financial writer sounded a warning note to the banking interests of the country who were at that time without full knowledge of the subject criticizing it in general, and said it might be wise to go a little slow on the criticism of the Conference and its results until we know more about it.

It is my honest opinion that when the banks and investment houses get the import of what we did at Bretton Woods, they will be wholeheartedly for it.

MR. WHITE: It is our experience that the banks and bankers are developing an interest in it. They are writing in for copies of the proposals. They are forming committees and groups to study them, and I am inclined to think that they will give it sufficient attention in the coming months so that they will be in a position to evaluate the proposition intelligently.

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Question 13: MR. GRANIK: Senator Tobey, it is frequently objected that the United States will have only a minority voice in the new Fund and the Bank. As one who for some years has been a minority-party member of the Senate and also as one who had a chance to experience at Bretton Woods the agreement of 44 delegations, are you afraid of the United States having only a minority voice in the proposed institutions?

Answer: SENATOR TOBEY: Not at all. I am so sold on international cooperation on banking lines and every other line that I am perfectly willing that the United States as the largest nation--the nation that will reap the largest benefits--should be willing to participate. After all, our total investment is less than six billion dollars, and if it were all lost it would cost us less than this war is costing us each month.

MR. WHITE: You don't think it would be all lost?

SENATOR TOBEY: No, that is ridiculous. But it is only the cost of one month of war that we are asked to invest. I'd gladly put this money in with great faith in the outcome of the results.

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Question 14: MR. GRANIK: Some of the Congressional critics of the Bank have argued that since the United States is going to be the principal country in a position to furnish the goods for reconstruction in the early post-war years and since this means that the United States dollar will have to be furnished to buy these goods, there is no point to having an International Bank with a lot of countries deciding when we loan dollars. Why not enlarge the Export-Import Bank so that it can make loans for reconstruction and development and run it ourselves?

Answer: MR. WHITE: Precisely because the bulk of the loans will be in U.S. dollars and for the purchase of U.S. goods it is important for the United States to have an international bank rather than a United States bank. If such a U.S. bank guaranteed a U.S. loan it would mean that the United States not only provided the capital but assumed the entire risk of loss. When an international bank guarantees a U.S. loan it will mean that 44 nations guarantee repayment to the private U.S. investors. If we increased the capital of the Export-Import Bank to \$9,000,000,000--the size of the proposed International Bank--it would increase our liability by \$6,000,000,000. Moreover, the creation of such a U.S. bank would be a step away from international cooperation and toward economic isolation. It would constitute a threat to the whole world that the United States was embarking on a large scale adventure into dollar diplomacy.

Question 15: MR. GRANIK: Secretary Morgenthau, since we first announced this broadcast, I have received many letters from American workers and from soldiers asking this one very simple question: Will the Bank and Fund mean anything in the way of jobs for Americans after the war? I think this is one of the questions that is on the minds of a lot of people.

SECRETARY MORGENTHAU: The Bank and the Fund will mean a great deal in the way of jobs for Americans. With the Bank and Fund in operation, our export business - our sales of machines and equipment and consumer goods to other nations will be vastly increased. For example, the Germans made it a point to destroy or remove all electrical generating equipment in Italy. When the war is over, the Italian Government will have to replace this equipment. They may go to the Bank to borrow money. They will then look around to see where they can buy new generating equipment, and the chances are very good that they will buy it right here in the United States from General Electric or Westinghouse, for example. The money they pay for these will thus come back into the pockets of American workers.

Actually, the difference between the jobs that would exist in the United States if we have a high level of trade,

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as against those that would exist if we have a low level of trade, may make a difference of five to ten million jobs.

SENATOR TOBEY: To bear that out, Mr. Secretary, wouldn't you agree that an increase in our foreign trade will mean an increase in our national income, and as our purchasing power increases, production expands, and more jobs are created here at home.

SECRETARY MORGENTHAU: That is the way it works.

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QUESTION 16: MR. GRANIK: Congressman Spence, as Chairman of the House Committee on Banking and Currency, you will have an important role in any congressional legislation on the Bretton Woods plan. Do you find that this is a subject on which Congressmen are divided along party lines--Democratic and Republican?

Answer: MR. SPENCE: I see no reason why they should be divided. I think it is for the substantial good of the American people, and they certainly can't make a political issue out of it. There is no politics involved in consideration of the matter at Bretton Woods, and there has never been any politics injected into it, and I think it would be a great mistake to inject politics into it. I think the American people deserve to have this matter considered dispassionately and fairly without the injection of politics.

SENATOR TOBEY: I feel exactly as Brent does. I think it will be a tragic thing if any man in either party stooped to take this up on a political basis or partisan basis. I was pleased the other day--and I think there was truth in it--in the New York papers chronicling the fact that Mr. Dewey had come out saying he favors stabilization of the financial situation.

MR. WHITE: Doesn't this just mean more foreign trade, more employment? And if that is so, how can there be partisan positions on that?

MR. SPENCE: Not only was there no politics in the American consideration of it at Bretton Woods, but it seemed to me there was no politics in the consideration by the forty-four nations present. They all tried to meet the proposition fairly and in good humor, and it was astonishing the common interest that was displayed by all the nations present. I think all the nations that were invited participated.

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Question 17: MR. GRANIK: What about the objection I have heard, Mr. Acheson, that the Bretton Woods plan, particularly the monetary-fund plan, would deprive Congress of its Constitutional prerogatives over the currency of this country?

Answer: MR. ACHESON: I should feel that we want to be perfectly clear on three major points here.

In the first place, it is not proposed that any of these agreements should take effect until the Congress of the United States has acted upon them, so that the Congress exercises its full Constitutional powers and rights in acting upon this, and the Congress may act in any way which in its judgment is wise from the point of view of the United States.

Secondly, the documents are drawn--you are speaking particularly about the Fund document--that document is drawn so that upon giving of notice, any country may withdraw. Therefore, there cannot be, even if the Congress should wish it, any impairment of the sovereignty of the United States.

And thirdly, there is nothing in these documents which prohibits any country from ultimately doing what in its own interest it feels that it must do. It is required only to consult with and advise and to act in accordance with certain procedures which are set up.

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Question 18. MR. GRANIK: Senator Tobey, when do you think it is probable that Congress will consider the Fund and Bank proposals?

Answer: SENATOR TOBEY: While it is not, of course, possible to give you a specific date when Congress will take up consideration of these proposals, I think it is very likely that their consideration will be one of the first tasks for the new Congress when it assembles next January.

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Question 19. MR. GRANIK: What about the American farmer, Mr. Brown? I have heard a good deal of discussion about the Fund and Bank and how it might help foreign trade and the employment of this country, but everybody forgets about the farmer. Producing the enormous amount of food he has during the war, he is going to want to continue after the war. You are a banker from the middle west, will the Fund and Bank help the farmer?

Answer: MR. BROWN: United States farmers export about a billion dollars annually in agricultural commodities, and many times that amount in exports of which agricultural products form a part. A slight variation in the value of foreign currencies may result in a serious loss to farmers because if the value of foreign currencies dropped, other countries could buy our agricultural products only if we lowered our prices. If we maintained our price level we might lose foreign markets entirely. The U.S. market would then be glutted with repercussions on domestic prices. Moreover, farmers will benefit directly from the increase in world trade which will result from the establishment of the Fund and the Bank. In addition, farmers will share with other segments of the population in the general benefits of world peace, world prosperity, and higher standards of living.

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Question 20: MR. GRANIK: Mr. Acheson, is there any impairment or danger to our sovereignty in this plan?

Answer: MR. ACHESON: I think the heart of this sovereignty business is whether Congress retains the right to change the gold value of the dollar. It seems to me that the answer to that is, first of all, that nothing is done about these agreements until the Congress itself approves them, so that you have the will of the American people expressed through the Congress on that. Secondly, that through the procedures set up by the Fund, the whole business is brought forward for discussion--you air the whole business, you get a complete statement of opinion by all the countries.

Now, after going all through that you still don't have agreement on what the United States or some other country may think that in its own interests it must do, that country is perfectly free to withdraw from the Fund at that point, and then can do what it likes. So what you have done, with the consent of Congress, is set up a very thorough consultative procedure which at the end, if you are not satisfied with it, you can withdraw. If you have given up any sovereignty in that, I don't know it.

MR. TOBEY: That consultative feature is one of the most valuable points of the conference.

MR. ACHESON: I think maybe the best illustration of how the Fund and Bank do not impair our sovereignty would be to compare them with the Combined Chiefs of Staff. Now, nothing is more inherent in sovereignty than the control of the military power. In order to win this war, what we have voluntarily done is to say we will create Combined Chiefs of Staff and we will work out military programs with other countries. Now, obviously, at any

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time that you can't work them out, and the vital interests of the U.S. are different from the vital interests of another country, are always free to withdraw from it. That protects our sovereignty. The same thing applies to the Fund and Bank. You can always walk out of this on twenty-four hours' notice, if you want to. But the thing we have got to understand more and more is that you cannot just say, "Well, I am going to do anything I like without talking to anybody." You have to work out all these problems if you possibly can with other countries. If you can't, all right, then you have the reserve power to go off and do what you like. But if everybody does what he likes without trying to work it out with other countries, we get into a terrible mess.

SUGGESTED CLOSING REMARKS FOR SECRETARY MORGENTHAU

There is nothing academic about the problems and proposals we have discussed tonight.

I have just come back from a visit to the battlefield in France. I have seen at first hand what it means to a country to serve as a battlefield in modern war. Vast areas have been literally pulverized. Whole populations have been uprooted.

I also spent several days in London. I have seen what four years of Nazi bombings and the more recent use of robot bombs have done to that city and the entire face of the British Isles.

One cannot see such sights, I think, without acknowledging two absolute imperatives. The first of these is that we must help the peoples of these war-torn lands to rebuild their homes; we must help them to begin again the industry and agriculture through which they will be able to play their parts in a healthy revival of commerce throughout the world. There can be no lasting security or prosperity for any of us unless this is done.

Beyond this is the broader imperative that we must stamp out the basic causes of this fearful scourge of war. The Fund and the Bank devised at Bretton Woods are instrumentalities for mutual aid among nations and for the creation of economic order. But they are, of course, no more than first steps toward the goal we seek. They must be buttressed by many other measures of international cooperation in the economic and military spheres.

Peace is not a static concept. It is a dynamic condition to be preserved, as it is attained, only through ceaseless effort, only through a constant guard against the viruses that would destroy it. The agreement achieved at Bretton Woods stands as an irrefutable demonstration that men who choose to live at peace with one another are capable of finding ways to do so.

8/22/44

212[✓]

Drafts of Secretary's Opening and Closing
Remarks and questions at American Forum
○ Air Broadcast.

SUGGESTED OPENING REMARKS FOR SECRETARY MORGENTHAU

A month has passed since the United Nations Monetary and Financial Conference at Bretton Woods, New Hampshire, came to its successful conclusion. We have had time to study the accomplishments of that meeting and to weigh their meaning for our security and prosperity in the postwar world. That is what we are going to talk about in this forum discussion here this evening.

To my mind, the most important fact about the Bretton Woods Conference -- more important even than the agreement reached by the 44 participating nations -- was the spirit in which men from many different lands approached a problem which they knew they could solve only through cooperative action. They knew from the tragic experience of the two decades which followed the last world war that if their countries tried again to achieve economic security through separate national action, they would achieve in the end only economic chaos and economic aggression. And they knew that these lead inevitably down the road to war. The alternative to economic cooperation is economic warfare. And economic warfare is but the initial phase of armed conflict.

They met, therefore, determined to uproot at least this particular cause of the frightful tragedy through which the world is now passing. They met with faith in one another's

good will and with faith in their common capacity to solve a common problem. They met determined to find a solution. And, although the solution was not easy, they found it. This is a hopeful augury, I think, for the important military security conference which opened today at Dumbarton Oaks here in Washington. Men have learned at last that the hopes they share can best be realized by a joining of their hands.

At Bretton Woods we agreed upon two instrumentalities to help one another toward a secure and stable economic world -- an international monetary fund and an international bank for reconstruction and development. Some of the American delegates to the conference are here tonight. I think it would be helpful if they were to give you their impressions of what was accomplished.

SUGGESTED CLOSING REMARKS FOR SECRETARY MORGENTHAU

There is nothing academic about the problems and proposals we have discussed tonight. The way in which we meet their challenge will shape the world to which our sons will return from the far places where they are now engaged in combat.

And it will determine whether their sons in turn are to be called from their homes and their families to wage another savage, senseless war some decades hence.

I have just returned from a visit to the battlefield in France. I have seen at first hand what it means to a country to serve as a battlefield in modern war. ~~Between the blows of our air force, our artillery, and our armies on the one hand and those of the Germans on the other,~~ Vast areas have been literally pulverized. Whole populations have been uprooted from the soil which is their home.

I also spent several days in London. I have seen what four years of Nazi bombings and the more recent use of robot bombs have done to that city and the entire face of the British Isles.

One cannot see such sights, I think, without acknowledging two absolute imperatives. The first of these is plain and inescapable: We must help the peoples of these war-torn lands to rebuild their homes; we must help them to begin again the

- 2 -

industry and agriculture through which they will be able to play their parts in a healthy revival of commerce throughout the world. There can be no ^{lasting} security or prosperity for any of us unless this is done.

Beyond this is the broader imperative that we must stamp out the ~~root~~ ^{basic} causes of this fearful scourge of war. The International Monetary Fund and the International Bank for Reconstruction and Development devised at Bretton Woods are instrumentalities for mutual aid among the nations of the world and for the creation of economic order. But they are, of course, no more than first steps toward the goal we seek. They must be supplemented and buttressed by many other measures of international cooperation in the economic and military spheres.

The first and most fundamental of these measures is still, as it has been from the inception of this war, the achievement of a genuine and total victory over the forces which undertook economic and military aggression as the means of achieving their national purposes. Before all else, the aggressors themselves must be made incapable of further aggression. And they must be kept incapable of it for as long as aggression remains a part of their national impulse. Anything less than this would be the

- 3 -

and to our victorious armed forces.

grossest injustice to their victims. Anything less than this would be the most utmost folly for our own future. Peace is not a static concept. It is a dynamic condition to be preserved as it is attained only through ceaseless effort, only through a constant guard against the viruses that would destroy it.

This is our primary obligation -- the total destruction of our enemies' power to assail us. Beyond it lies the need to fashion means by which all the peoples of the earth can pursue their common purposes in unity and in cooperation. The agreement achieved at Bretton Woods, ~~comes to a shining point.~~ stands as an irrefutable demonstration that men who choose to live at peace with one another are capable of finding ways to do so.

Question 5. MR. GRANIK: Secretary Morgenthau, one newspaper writer has called the Bretton Woods plans an international WPA. How do you feel about that? Did you find that the foreign countries were motivated by what they thought they could get out of the United States through the Fund or the Bank, or did you find a spirit of real cooperation evident?

Answer: SECRETARY MORGENTHAU: The Fund has nothing to do with either relief or rehabilitation. These are the responsibility of UNRRA. The Bank is intended to finance sound and productive reconstruction projects. They are no more WPA projects than are the loans of any private bank. They will help self-respecting peoples to get back on their feet economically ~~and to produce goods~~ and thus to buy the goods which we produce. As to the spirit which motivated the representatives of these peoples at Bretton Woods, I think I shall ask Senator Tobey to give you his reactions.

TOBEY (Picks this up)

- 11 & 12 -

Question 7. MR. GRANIK: Mr. Secretary, we have heard it said that if the U.S. joins the Fund and Bank we will be throwing our money away. How about it?

Answer: SECRETARY MORGENTHAU: Well, to date, this war has cost the American people over two hundred billion dollars. ~~Before it is over and by the time you include pensions and other indirect costs, it will cost us several times that amount.~~ In order to set up the Bank and the Fund, this country is asked to invest six billion dollars, which is less than the war costs us each month. Moreover, there is no reason to believe that we shall lose this investment. Every possible precaution was taken at Bretton Woods to protect both institutions against loss, and to insure them against abuse. The investment should be returned to us many times over in a revival of trade.

~~Then, another thing that must be considered: to date, the war has cost us three hundred thousand casualties as well as two hundred billion dollars. All of this expenditure of blood and treasure in a real sense is thrown away -- thrown away because it would have been needless if we had only taken measures to preserve the peace.~~

The Bank and the Fund will help preserve the peace for years to come, and for that reason alone, they are well worth our investment in them.

Question 9: MR. GRANIK: Mr. Secretary, wouldn't the establishment of the Fund mean more government control over foreign trade? Is it true, as some state, that if we adopt the Fund, foreign trade will have to be taken over by Government agencies. How about that?

Answer: SECRETARY MORGENTHAU: No, the exact opposite of that is true. I should think that the Bank and Fund were absolutely essential for American foreign trade. So far as the Fund is concerned, the Fund gives assurance to the American producer who wishes to sell his goods abroad that he can find a medium of payment for those goods which will be stable and predictable. To producer and manufacturer it means that people will be better able to buy the materials which they produce. ~~They will be able to increase the resources of their own communities and countries, and in turn be richer and more prosperous and better customers for the United States.~~

MR. TOBEY: The U. S. leaves its traders free to buy and sell where they please and operate under the rules of free competition. This right can be effective only if other countries do not restrict the freedom we give our traders. The U.S. can insure such freedom only through international cooperation. Thus, rather than increasing government controls, the Fund is an effective way of reducing the exercise of such controls by other countries.

SECRETARY MORGENTHAU: Very much so, Senator.

MR. WHITE: Don't you think it might be well to point out, Mr. Secretary, that the foreign trade will continue to buy and sell as foreign exchange from the regular channels which he has always been doing business with, and that the Government in no way interferes or intrudes in his arrangements?

Contel

- 24 -

Question 15: MR. GRANIK: Secretary Morgenthau, since we first announced this broadcast, I have received many letters from American workers and from soldiers asking this one very simple question: Will the Bank and Fund mean anything in the way of jobs for Americans after the war? I think this is one of the questions that is on the minds of a lot of people.

SECRETARY MORGENTHAU: The Bank and the Fund will mean a great deal in the way of jobs for Americans. With the Bank and Fund in operation, our export business -- our sales of machines and equipment and consumer goods to other nations will be vastly increased. For example, the Germans made it a point to destroy or remove all electrical generating equipment in Italy. When the war is over, the Italian Government will have to replace this equipment. They may go to the Bank to borrow money. They will then look around to see where they can buy new generating equipment, and the chances are very good that they will buy it right here in the United States from General Electric or Westinghouse, for example. The money they pay for these will thus come back into the pockets of American workers.

Actually, the difference between the jobs that would exist in the United States if we have a high level of trade, as against those that would exist if we have a low level of trade, may make a difference of five to ten million ~~workers~~ jobs.

Insofar as the Fund and Bank will stimulate American foreign trade, they will represent real measures for increasing private employment in the United States.

SENATOR TOBEY: To bear that out, Mr. Secretary, wouldn't you agree that an increase in our foreign trade will mean an increase in our national income, and as our purchasing power increases, production expands, and more jobs are created here at home?

SECRETARY MORGENTHAU: That is the way it works.

~~SECRETARY MORGENTHAU: Yes, that is exactly so.~~

As I understand the situation, the businessman, himself, will have no dealings with the Bank or the Fund, and he will only know they exist because they will very much increase the possibilities of doing business with other persons who through their governments are able to get the wherewithall to pay for it.

TREASURY DEPARTMENT

Washington

FOR RELEASE, 9:30 P.M., E.W.T.,
Tuesday, August 22, 1944.

Press Service
No. 43-2

Secretary Morgenthau tonight told a "Forum of the Air" audience that the monetary agreement reached recently at Bretton Woods, N.H., constitutes "an irrefutable demonstration that men who choose to live at peace with one another are capable of finding ways to do so."

The Treasury chieftain said that the spirit in which men from the 44 participating nations approached the monetary problems of the world is a hopeful augury for the success of the security conference which opened today at Dumbarton Oaks in Washington.

Mr. Morgenthau spoke over the Mutual network, on a round-table discussion of the results of the United Nations Monetary and Financial Conference.

Appearing also on the program were Dean Acheson, Assistant Secretary of State; Edward E. Brown, President, First National Bank of Chicago; Brent Spence, Chairman of the Committee on Banking and Currency, House of Representatives; Charles W. Tobey, member, Committee on Banking and Currency, United States Senate, and Harry D. White, Assistant to the Secretary of the Treasury, all members of the United States Delegation to the Conference; and Ansel F. Luxford, Assistant General Counsel, Treasury Department.

Mr. Morgenthau said that the proposed International Monetary Fund, and International Bank for Reconstruction and Development, are but first steps toward the goal of lasting peace and world economic well-being. He said other measures of international cooperation in economic and military spheres must be undertaken to help the peoples of war-torn lands, and to stamp out the basic causes of war.

The Treasury Secretary has just returned from a visit to the "pulverized" battle areas of France and the robot bomb desolated sections of England.

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"One cannot see such sights without acknowledging two absolute imperatives", he said.

"The first of these is that we must help the peoples of these war-torn lands to rebuild their homes; we must help them to begin again the industry and agriculture through which they will be able to play their parts in a healthy revival of commerce throughout the world. There can be no lasting security or prosperity for any of us unless this is done.

"Beyond this is the broader imperative that we must stamp out the basic causes of this fearful scourge of war.

"The Fund and the Bank devised at Bretton Woods are instrumentalities for mutual aid among nations and for creation of economic order."

The program on which the United States delegates and technicians appeared is the first of a series of educational broadcasts designed to familiarize the American people with the Monetary Fund and International Bank proposals.

Mr. Morgenthau was chairman of the United States delegation by designation of President Roosevelt, and was elected President of the Conference at Bretton Woods.

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HOUSE OF REPRESENTATIVES

COMMITTEE ON BANKING AND CURRENCY

WASHINGTON

August 22, 1944

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

My dear Mr. Secretary:

I have your very kind letter of
August 5th for which I thank you.

I think you rendered an outstanding
service to your country in promoting and carry-
ing to a successful conclusion the Bretton
Woods Conference.

With all good wishes, I am,

Sincerely yours,

BS:hd





TREASURY DEPARTMENT

WASHINGTON

AUG 22 1944

Dear Mr. President:

About \$918,000,000 of Treasury notes will mature on September 15. Subject to your approval, and under authority of the Second Liberty Bond Act, as amended, I propose to offer the holders of these notes an opportunity to exchange them for a like par amount of 1 percent Treasury Notes of Series A-1946. These notes were originally issued on November 1, 1941, and will mature March 15, 1946. At the same time I propose to offer the holders of about \$4,122,000,000 of certificates of indebtedness maturing September 1 an opportunity to exchange their holdings for a similar one-year certificate.

The authorizing act provides that notes may be issued only with the approval of the President. Accordingly, I trust that the proposed issue will meet with your approval. It is my intention to make public announcement of the offering on Thursday, August 24.

Faithfully yours,

Henry M. Vinson
Secretary of the Treasury.

The President,

The White House.

APPROVED:

Franklin D. Roosevelt

8-23-44

FOR DEFENSE



BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS

AUG 22 1944

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Faithfully yours,

(Signed) Henry Morgenthau, Jr.

Secretary of the Treasury.

The President,
The White House.

APPROVED:

ELK:cak
8/19/44

August 22, 1944

Dear Eleanor:

Thanks for sending me the very interesting suggestion for a coin.

It was nice seeing you the other morning, but entirely too brief. I hope I will be able to have a nice visit with you in the not too distant future.

Affectionately,

(Signed) Henry

Mrs. Franklin D. Roosevelt,
The White House.

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THE WHITE HOUSE
WASHINGTON

August 16, 1944

Dear Henry:

This might be a good idea
for a coin.

Affectionately,



Congratulations on your speech but
you sounded grim —

Anniversary Exclusives by

- ★ Rev. Thomas J. McCarthy
- ★ Clarence R. Johnson
- ★ Rabbi Edgar F. Magnin

JOHN LA FARGE, S.J.—On FEPC

BILL HALLIGAN—Irony in the USA
TED LeBERTON—To Dr. Wilsie Martin

Real Issue Behind The
ELECTIONS

SEE PAGES 10 AND 11

THE

WAR

WORKER

LOS ANGELES, CALIF. Semi-Monthly—Second Half July 1944 Price 10c
Vol. 2—No. 1



August 22, 1944

My dear Cordell:

I just want to remind you that when I saw you last week, I raised the question of the Treasury having an observer at Dumbarton Oaks, and you said you would be very glad to have one. I am awaiting further word from you.

Sincerely yours,

(Signed) Henry

Honorable Cordell Hull,
Secretary of State.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE August 22, 1944

TO Secretary Morgenthau
FROM R. E. McConnell

The successful reorganization and management of complicated industrial enemy properties which were vested in this country has prompted the following suggestion:

Upon the invasion of Germany, the United States should be prepared to assume the management and operation of a substantial part of German industry. During occupation by the Army, American management would convert the war industries to peaceful production, such policy to include the dismantling of heavy forging works, gasoline plants, nitrogen plants, etc. Before peace terms are determined, substantial progress should be made toward pacification of German industries. Also, production would be directed toward filling the military needs of the Allied Nations for the Japanese war, the needs for relief and rehabilitation, and the requirements of occupation. Profits of operation should accrue to the Allies.

Ultimately, the equities of certain key German industries may be vested by the United States and operated by a Government-owned corporation, probably under a special charter. Any attempt by the Germans at any future time to dispossess American management would constitute an act of war before they have had any chance to make preparations for war. American management policy for German industries to be directed toward the insurance of a lasting world peace, employment of German labor, offsetting the cost of occupation, and defraying part of the cost of the war. Once established in possession of the properties, the position of the United States would become more secure in future negotiations.

The organization task would be larger but no more difficult than the reorganization and operation of the alien properties which were vested in this country at the beginning of the war. Before the capitulation of Germany the ground work for an organization for this purpose should be prepared by direction of the President. It is important that such an order should require establishment of actual American control, as was done in your General Aniline directive, rather than remote direction of such industries on a political level.

R. E. M.

AUG 22 1944

My dear Sir Clifford:

Thank you very much for your letter sent me by hand of Captain Lewis Korn dealing with the situation of the refugees in northern Italy. John Pehle, Executive Director of the War Refugee Board, informs me that the problem is receiving urgent attention at this end and that every step is being taken to relieve the plight of these people.

I, too, remember our meeting in 1915, and I trust that before long our paths will cross again.

Cordially,

(Signed) H. Morgenthau, Jr.

Sir Clifford Heathcote-Smith,
Representative for Italy,
Intergovernmental Committee on Refugees,
Rome, Italy.

AA:JWP:dg 8/19/44

(Written at Naples aerodrome.)

16 July 1944.

Address: Sir Clifford D. Heathcote-Smith
Representative for Italy
Inter-Governmental Committee on Refugees
ROME.

Dear Mr. Morgenthau,

I send you this letter by
hand of Capt. Lewis KORN regarding a suggestion
for the immediate rescue of many thousands
of Jews and others now in German hands in
North Italy.

[It may well be that you have
known each other. In Feb. 1915 a son of Mr.
Morgenthau, American Ambassador to Turkey,
passed a night with me in DEDEAĞATCH
on the North shore of the Aegean; and I vividly
remember our talk that evening. It was
either you or a brother of yours.]

The rescue suggestion, which em-
bodies the utilization of a neutral flag
mercy ship to do a shuttle service from
an enemy held N. Adriatic port to a
port to the South in Liberated Italy, has
formed the subject of a telegram dated 16/5/44
July from Mr. Myron Taylor, your Ambassa-
dor at the Vatican, to President Roosevelt.

It is already late to approach the Axis
 in this sense problem: for the internees
 here have been rounded up and sent
 northward into German concentration camps
 but it is believed many thousand of
 refugees are still within the frontiers of Italy.

Soon it will be too late to act ef-
 fectively: hence the need for superlative
 haste.

I feel that not only can and should the
 Inter-Governmental Committee on Refugees
 do all it can in this work of saving victims
 from Nazi bestiality, but that the War
 Refugee Board is pre-eminently suited
 for ensuring that everything humanly possible
 is set afoot for this one purpose.

Capt. Korn knows the whole problem
 intimately and can give its complete
 picture.

I end by expressing the keenest hope
 that the urgency of this saddest of chapters
 in human history may be felt in
 your country, which with President Roosevelt
 felt as the moving spirit may
 succeed in inducing the Axis to

(3)

over into the safety of Allied hands
at least a few thousand of its newest
world-beaters.

Yours,

yours very truly,

Clifford C. Heathcote-Smith

Hon. Henry Morgenthau,
Secretary of the Treasury
Washington

AIRGRAM

FROM

RIO DE JANIERO

DATED: AUGUST 22, 1944

REC'D: AUGUST 30, 5 p.m.

CONFIDENTIAL

To the Secretary of State,
Washington, D. C.

A-1568, August 22, 2 p.m.

Reference is made to Embassy's despatch No. 16511 of June 20, 1944 and to previous correspondence concerning the attitude of Brazil towards admitting refugees into its territory.

Dr. Leao Velloso tells me that President Vargas himself has now approved the plan to bring 500 refugees children to Brazil, provided that the Brazilian Government did not incur the expenses of transportation to and maintenance in Brazil. He has accordingly charged General Ivo Soares, Chairman of the Brazilian Red Cross, with making suitable arrangements with appropriate Jewish welfare agencies here to take care of them.

Official announcement is to follow shortly.

GAFFERY

EO'S:mp

CORRECTION

EOC

August 22, 1944

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

In undated telegram from Cairo, Greek Series 252 please insert as the correct date "August 16, 11 a.m." Message should now read "Greek 252, August 16, 11 a.m." Advice from Cairo.

DIVISION OF COMMUNICATIONS AND RECORDS

JMS

CABLE TO AMEMBASSY SAN SALVADOR EL SALVADOR

Department and War Refugee Board highly commend your action reported in your A-327 of August 10. Please convey to Salvadorean Foreign Minister this Government's deep appreciation of his attitude.

9:00 a.m.
August 22, 1944

Akzin:tmb 8-19-44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington
DATED: August 22, 1944
NUMBER: 6784

SECRET

Yesterday evening an informal conference was held for the purpose of discussing steps to be taken to implement acceptance of Hungarian offer regarding Jews and at the conference the Embassy was represented. The Director and Vice Director of IGC, two members of refugee section of the Foreign Office, and representatives of Treasury, Admiralty, and Ministry of War Transport were present. Also in attendance was Professor Arthur Goodhart, who is to represent the War Refugee Board.

A memorandum was submitted by the Director of IGC proposing that American and British Governments immediately take the following steps so as to get under way without delay the relief program:

1. Intercross is to be requested by British and American Governments:
 - (A) To carry on with the Government of Hungary the necessary discussions.
 - (B) To use its influence to obtain good treatment of Jews in Hungary and especially toward having deportations stopped.
 - (C) To advise IGC and the Governments of the United States and Great Britain of all developments, especially any renewal of deportations of Jews.
 - (D) To nominate persons to constitute early contingents of Jews departing from Hungary.
 - (E) To take care of relief within Hungary.
 - (F) To make a report as regards practical routes for removing refugees from the country.
 - (G) To act in concert with special representatives in Hungary of the Swedish Government who are handling refugee problems.

The following gives

Page 2. #6784 from London, dated August 22, 1944

The following gives substance of remaining paragraphs of the memorandum submitted by the director which are explanatory of points covered above and give certain views of the director.

2. (a) Children and (b) persons to whom Palestine certificates are available should be included in early contingents. An approach should be made to Canada with a view to getting it to grant one thousand visas to supplement five thousand American visas transferred to children in Hungary from children in France. A request for temporary refuge for three thousand children might also be made of Portugal.

3. Apparently the best routes, pending report by Intercross, are (a) to Switzerland, (b) overland to Palestine through Bulgaria, (c) overland to Sweden, (d) to Rumania and from there to Palestine by sea. A request to investigate the possibility of safe conduct for (d) might be made of Intercross.

4. With respect to maintenance in Hungary, Intercross should be encouraged to press the Government of Hungary to permit Jews to use their own resources to support themselves. Private funds available to Intercross through licenses issued to JDC by United States Treasury can be used by Intercross if it is necessary to provide maintenance. Should these be insufficient, IGC may make further funds available. If sufficient Hungarian currency cannot be purchased in Switzerland, American and/or Swiss currency should be sent to Hungary. Use should be made of private funds so long as they last, after which a request for further funds under operational expenditure arrangements should be made of British and American Governments by IGC.

5. Responsibility for maintenance of refugees in neutral countries is given to IGC and it should be associated with approaches to such countries. It is felt by IGC that such maintenance should be handled by it. Sweden and Switzerland may well refuse to accept outside financial aid, but undoubtedly a guarantee concerning additional supplies would be desired by them. The Governments of Great Britain and the United States might desire to reaffirm guarantees given previously.

6. The arrangements for exit by way of the Balkans could best be handled by British and American Ambassadors in Ankara and Intercross in cooperation with WRB and, when destination is Palestine, with Jewish agency for Palestine.

7. An early start

Page 2. #6784 From London, dated August 14, 1944.

The following gives substance of remaining paragraphs of the memorandum submitted by the director which are explanatory of points covered above and give certain views of the director.

2. (a) Children and (b) persons to whom Palestine certificates are available should be included in early contingents. An approach should be made to Canada with a view to getting it to grant one thousand visas to supplement five thousand American visas transferred to children in Hungary from children in France. A request for temporary refuge for three thousand children might also be made of Portugal.

3. Apparently the best routes, pending report by Inter-cross, are (a) to Switzerland, (b) overland to Palestine through Bulgaria, (c) overland to Sweden, (d) to Rumania and from there to Palestine by sea. A request to investigate the possibility of safe conduct for (d) might be made of Inter-cross.

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6. The arrangements for exit by way of the Balkans could best be handled by British and American Ambassadors in Ankara and Inter-cross in cooperation with VTB and, when destination is Palestine, with Jewish Agency for Palestine.

7. An early start

Page 3. #6784 from London, dated August 22, 1944

7. An early start is considered essential and proposals given above would make possible immediate beginning of action. Looking ahead still further, temporary refuge could be arranged at Tripolitania and the camp at Fedhala might accommodate a thousand refugees in addition to neutral countries. If the British and American Governments demonstrate that they are taking practical measures to receive considerable numbers in their own territories, Mexico and Brazil might respond.

This is the end of the summary of the memorandum submitted by the director.

It was stated by Treasury representative, with respect to finance, that in order to draft a special appropriation bill, it would be necessary to have an estimate of cost, but he had no anxiety about obtaining the needed amount. It was stated by the representative of the Ministry of War Transport that the evacuation vessel could be ready on thirty days' notice but it is essential to have safe conduct. The impracticability of water transport without safe conduct due to hazards of the Aegean Sea dominated by air power of Germany was emphasized by the representative of the Admiralty.

The representative of the Foreign Office stated that IGC proposals (a) through (g) agreed with the British Government's views and that they could be cabled to the British Legation in Bern with explanatory comments.

It was stated by the Embassy representative, in answer to specific question, that although he had received no instructions and he could give no formal assurances, he had discussed with DuBois of WRB the whole subject and believed that the proposals were in agreement with WRB views.

The IGC director stated that he wished IGC to take more active part in meeting the offer by Hungary than acting solely as fiscal agent in the matter.

It was the general concensus that while large migration from Hungary may actually be rendered superfluous by the rapid development of the military situation, quick action by the British and American Governments is most necessary.

WINANT

DCB:IDB:FB 8/23/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington
DATED: August 22, 1944
NUMBER: 6795

CONFIDENTIAL

There follows the substance of a message for the War Refugee Board from Emerson, IGC.

Reference is made herewith to your cable of August 10, no. 6323.

We have received the cable regarding the Dobkin-Weissman proposal. Doubtless you will now agree that in view of the rapid developments in France, plans to remove children from there should be suspended. We might possibly use Portugal's offer later for children from Hungary or elsewhere, but action on this can be postponed pending developments. I find most encouraging the transfer of American visas from children in France to children in Hungary.

WINANT

DCR:VAG 8/23/44

HIS-975
Distribution of true
reading only by special
arrangement. (SECRET W)

Caserta via Naples

Dated August 22, 1944

Rec'd 10:43 p.m.

Secretary of State,
Washington.

182, August 22, 10 a.m.

FOR WAR REFUGEE BOARD FROM ACKERMANN No. 106

Had already been discussing possible aid to refugees in Northern Italy also France when your 44 of August 16 arrived. OSS advises that good contacts already established by them with resistance groups both places but believe that refugee aid will be more effective in Italy and that there is greater need there. They advise that I deal through them rather than Italian Government in Rome. At present supplies brought to Italian resistance by planes which are hardly sufficient for military aid. It appears that if refugees are to be assisted to hide in mountains, et cetera, food and clothing are an urgent necessity as resistance groups do have enough for themselves. If additional planes can be allocated for this specific purpose believe that assistance can be given. After discussion with Murphy believe that nothing can be done here to secure such planes and that directive and allocation must come through combined chiefs of staff. Please advise possibilities your end. In the meanwhile will continue investigation here to see what can be done without additional planes.

MURPHY

WSB

CORRECTION

MS

August 22, 1944

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

In telegram No. 2398, August 3, 1 p.m., from Lisbon, in third paragraph, first sentence should read "For relief in Shanghai 22,700,000 Chinese dollars transmitted for July compared with 16,300,000 June and 11,800,000 May." Figure should be "16,300,000".

DIVISION OF COMMUNICATIONS AND RECORDS

MJK

EMBASSY OF THE
UNITED STATES OF AMERICA

Lisbon, August 22, 1944

CONFIDENTIAL

Subject: Transmitting Copies of Embassy's Notes Verbale to the Ministry of Foreign Affairs Regarding:
(1) Admission to Portugal of Persons Having American Visas Granted on or after July 1, 1941;
(2) of Hungarian Jewish Refugees

The Honorable
The Secretary of State
Washington

Sir:

I have the honor to enclose copies of the Embassy's notes verbale No. 498 of August 17 and No. 501 of August 18 on the above subjects, which have been addressed to the Ministry of Foreign Affairs in accordance with instructions contained in Department's telegrams No. 2118 of July 28 and No. 2200 of August 7.

Note No. 498 was somewhat delayed in the hope that the Embassy would receive the detailed instructions referred to in the Department's telegram No. 2118 but was finally sent without awaiting them further. Note No. 501 was delayed pending receipt of parallel instructions by the British Embassy from London. These instructions were received on August 17 and the British Embassy addressed an identical note to the Ministry of Foreign Affairs under the same date. It is the intention of both Embassies to follow up Note No. 501 with personal visits to the Ministry of Foreign Affairs within the next few days.

It is believed that the War Refugee Board will be interested in this despatch and enclosures and if the Department perceives no objection, it is requested that copies be sent to the Board.

Respectfully yours,

For the Ambassador:

Charles E. Dickerson, Jr.
First Secretary of Embassy

Enclosures:

1. Copy note verbale No. 498
2. " " " " 501

CCD:ew

cc: Miss Chauncey (for the Sec'y), Abrahamson, Akshn, Cohn, Drury, Dubois, Friedmann, Gaston, Hodel, Laughlin, Lesser, Mannon, Maris, McCormack, Pehle, Sargoy, Standish, Weinstein

Enclosure No. 1 to despatch No. 884, August 22, 1944, from the Embassy

Copy of Note Verbale No. 498

248

The Embassy of the United States presents its compliments to the Ministry of Foreign Affairs and has the honor to inform the Ministry that the United States Government has decided to reconsider the validity of American visas which were issued on and after July 1, 1941, to persons now residing in territory controlled by countries with which the United States is at war and who thus far have been unable to use the visas granted. It is possible that some of these individuals may seek admission to Portugal for verification of their visas by the competent United States authorities. The Embassy has therefore been authorized to inform the Ministry that all expenses in Portugal for the maintenance of such persons will be provided through appropriate American agencies, and further that any possessors of such visas who may not be found qualified for the granting of an American visa at this time will be evacuated from Portugal at the earliest possible moment.

The Embassy therefore requests of the Ministry that it be kind enough to use its good offices in arranging for the authorization of admission to Portugal of persons holding American immigration visas issued on or after July 1, 1941, whether or not they are in possession of Portuguese transit visas. The Embassy further requests the Ministry to advise the appropriate representatives of the countries with which the United States is at war of Portugal's willingness to receive persons holding such visas.

For the information of the Ministry, the Embassy has been advised that similar requests have been made to the governments of Turkey, Switzerland, Spain and Sweden.

Lisbon, August 17, 1944.

Enclosure No. 2 to despatch No. 884, August 22, 1944, from the Embassy
at Lisbon.

Copy of Note Verbale No. 501

The Embassy of the United States presents its compliments to the Ministry of Foreign Affairs and has the honor to inform the Ministry that the United States Government jointly with the Government of Great Britain has published the following declaration at midnight on August 17:

"The International Red Cross has communicated to the Governments of the United States and the United Kingdom an offer made by the Hungarian Government with regard to the emigration and treatment of Jews. Because of the desperate plight of Jews in Hungary and the overwhelming humanitarian considerations involved, the two Governments are informing the Hungarian Government through the International Red Cross that, despite the heavy difficulties and responsibilities involved, they have accepted the offer of the Hungarian Government for the release of Jews and will make arrangements for the care of such Jews leaving Hungary who reach neutral or United Nations territory and also that they will find temporary havens of refuge where such people may live in safety. Notification of these assurances is being given to the Governments of neutral countries who are being requested to permit the entry of Jews who reach their frontiers from Hungary. The Governments of the United States and the United Kingdom emphasize that, in accepting the offer which has been made, they do not in any way condone the action of the Hungarian Government in forcing the emigration of Jews as an alternative to persecution and death."

Lisbon, August 18, 1944.

KD-990
Distribution of true
reading only by special
arrangement. (SECRET W)

Lisbon

Dated August 22, 1944

Rec'd 11:50 p.m.

Secretary of State
Washington

2594, August 22, 7 p.m.

During my conversation with Sampayo today I followed up question of Hungarian Jewish refugees (REEMBS 2560 August 19,). Sampayo informed me that Portuguese Government was in principle entirely in agreement with helping persons of this category, but preferably in lots of say three to four hundred which could be taken care of more readily considering local facilities than could larger groups. He said that Portuguese Government had already informed Hungarian Government of its interest in such people. In fact he added that Portuguese Government had persuaded Hungarian Government to issue exit visas and had itself given Portuguese visas to a number of them, but Germans had refused to permit them to leave as yet. Some of the persons in question are now in asylum in the Portuguese Legation in Hungary. He reaffirmed that Hungarian Government is thus aware of the Portuguese interest in this problem.

NORWEB

RR

CABLE TO NORWEB, LIBBON, FROM WAR REFUGEE BOARD.

Please deliver the following message to Elizabeth Dexter,
111 rue Marquez de Fronteira, Lisbon, from Raymond Bragg of the
Unitarian Service Committee:

"213 COMMITTEE NEVER OPPOSED TO MEETING FIELDS REQUEST
FOR FUNDS FOR WORK CZECHOSLOVAKIA HUNGARY YUGOSLAVIA
ADDITIONAL FRANCE 20000 DOLLARS REALLOCATIONS APPLIED
FOR AND LICENSES TRUST TRANSACTION COMPLETED SOONEST
NOTIFYING FIELD"

THIS IS WRB CABLE TO LISBON NO. 79

9:00 a.m.
August 22, 1944

RDrury 8/21/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN LEGATION, STOCKHOLM
TO: Secretary of State, Washington
DATED: August 22, 1944
NUMBER: 3242

SECRET

An official of Sweden who is thought identical with informant of Count Bernadette mentioned in my message number 3166 of the sixteenth of August, has given the Legation additional details with regard to the location near Budapest where he witnessed Jews herded for deportation into boxcars.

The location was Budakalasz in an old brick yard. By the ruthless demeanor of Hungarian gendarmes the informant was particularly impressed. They were described by him as bloodthirsty as the Gestapo of Germany. Jews old, young and children, male and female were herded into boxcars by gendarmes who drove them on with rifle butts and a whip was even used by one gendarme.

From Jewish girls of Hungary now in Hamburg and other places soldiers of Germany have brought back messages to Budapest to their friends. After having been deported from Hungary these girls have been turned over to German armed forces and wear armbands inscribed war harlot ("kriegshure").

In provincial Hungary, camps of Jews were emptied before a halt was made to deportations by officials of Hungary. As a rule while the camps were still operating they were managed by Hungarian personnel aided by an SS adviser thought competent in giving instructions in competent managing of Jews to the Hungarians.

JOHNSON

DCR:MLG
8/23/44

CORRECTION ON
ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: AMERICAN LEGATION, BERN
DATED: August 22, 1944
NUMBER: 2853

CONFIDENTIAL

This telegram No. 2853 was erroneously distributed as
No. 130. It should have been no. 2853.

CABLE TO MINISTER HARRISON BERN FOR McCLELLAND FROM WAR REFUGEE BOARD.

Please deliver the following message to Noel Field, 12 Rue du Vieux
College, Geneva, from Raymond Bragg of Unitarian Service Committee:

"NEVER OPPOSED TO PROJECTS YOU SUGGEST FOR YUGOSLAVIA
CZECHOSLOVAKIA HUNGARY ADDITIONAL FRANCE APPLYING 20000
DOLLARS REALLOCATION AND LICENSES TRUST TRANSFER POSSIBLE
SOON STOP URGE CAUTION IN COMMITMENTS NEW WORK PARIS
EXTENSIVE PLANNING BEING CARRIED FORWARD HERE STOP
COMMITTEE HEARTILY COMMENDS YOUR MESSAGE TO UNITARIAN
CHURCHES OF HUNGARY"

THIS IS WRB CABLE TO BERN NO. 136

9:00 a.m.
August 22, 1944

RDrury 8/21/44

CABLE TO MINISTER HARRISON AND McCLELLAND, BERN, SWITZERLAND

The following information has been forwarded to Department by Amembassy San Salvador on August 10:

QUOTE 1. The Salvadoran Government sometime ago requested the Swiss Government to assume representation of salvadoran interests in Hungary. The Salvadoran Minister for Foreign Affairs informed me this morning that this arrangement is now definitely in effect.

2. The Salvadoran Minister for Foreign Affairs further informed me as follows:

- (a) The Salvadoran Government will notify the Swiss Government that passports and other documents issued in its name to persons in Hungary subject to persecution will be recognized and confirmed;
- (b) The Hungarian Government is to be so advised, and also that it is expected that persons holding such passports and other documents will be accorded the treatment, rights, privileges, and immunities of nationals of the Government of El Salvador; and
- (c) The United States is authorized to negotiate for the exchange of such persons. In this latter connection I assured Dr. Avila that in the event of such negotiations every preference will be given by the United States to unquestioned nationals of El Salvador and that the Government of El Salvador will not be expected physically to receive other persons, who, if exchanged, will be sent to other destinations. UNQUOTE

In view of your 5233 of August 12, the use to be made of foregoing information is left to your discretion.

THIS IS WRB BERN CABLE NO. 137

9:00 a.m.
August 22, 1944

BAkzin:tmh 8-19-44

CABLE TO HARRISON, BERN, FOR MCCLELLAND FROM WAR REFUGEE BOARD

Board approves your support (including financial aid) of the two programs reported in your No. 4908 of July 31 and your no. 5343 of August 17.

You are authorized to continue such support as long as you deem it advisable.

THIS IS WRB BERN CABLE NO. 138

125 p.m.

August 22, 1944

FHodel:jth 8/22/44

CABLE FOR MINISTER HARRISON AND McCLELLAND, BERN, SWITZERLAND, FROM
DEPARTMENT AND WAR REFUGEE BOARD

Re Department's 2769 of August 11. War Refugee Board is prepared to ship within next 72 hours total of 15,000 parcels (three-kilo) for distribution by Intercross to unassimilated persons in camps. Amcross shipping for War Refugee Board via Gothenburg. In addition to food contents each parcel contains receipt card modeled after Amcross POW receipt card with the exception that the name Intercross is substituted for Amcross and reference to the term "prisoner of war" has been eliminated.

Suggestion is made that Intercross prepare at once 15,000 labels to be affixed to said parcels at Gothenburg. Parcels then to go forward to northern German parts via same facilities as Amcross POW packages, to be thence despatched via post to detained persons. Please secure at once from Intercross confirmation this proposed plan for handling three-kilo parcels or their substitute method of handling from Gothenburg onward so that matter can be cleared with London for approval.

THIS IS WRB CABLE TO BERN NO. 139

5:25 p.m.
August 22, 1944

PJMcCormack:ar 8/22/44

CABLE FROM WAR REFUGEE BOARD TO AMBASSADOR STEINHARDT AND HIRSCHMANN,
ANKARA, TURKEY.

For special and important reasons the War Refugee Board is extremely anxious that everything possible be done to locate and rescue, if possible, Nicolas von Karman whose last known address was Hungarian Czechoslovakian Industrial Bank, Nador Utea 5, Budapest, Hungary. Please investigate and advise urgently of anything you may be able to ascertain concerning this matter.

THIS IS WRB ANKARA CABLE NO. 103

1:25 p.m.
August 22, 1944

JBFriedman:AAbrahamson:ro
8/22/44

CABLE FROM WAR REFUGEE BOARD TO AMBASSADOR STEINHARDT AND HIRSCHMANN, ANKARA, TURKEY.

Please refer to your No. 1516 of August 18 (Ankara No. 135).

You are authorized to indicate to the Bulgarian authorities through appropriate channels that this Government is continuing to watch with great interest the status and treatment of Jews in Bulgaria and the action of the Bulgarian authorities with respect thereto. You may also indicate that if the Bulgarians are really interested in this matter, they will not only bring to an end immediately persecution of Jews in Bulgarian and the legal dispositions which made this possible but will also permit the entry into Bulgaria of Jews escaping from Hungary and furnish to them temporary havens of refuge.

It is our view that an appropriate occasion for any favorable publicity concerning the attitude of the Bulgarian authorities would present itself only after effective action has been taken by them.

We assume that you will inform us of any such specific action.

Your efforts in this whole matter are greatly appreciated.

THIS IS WRB ANKARA CABLE NO. 104

1:25 p.m.
August 22, 1944

JBFreidman:AAbrahamson:ro
8/22/44

KEM-965
Distribution of true reading
only by special arrangement.
(SECRET W)

Ankara

DATED August 22, 1944

Rec'd 9:52 p.m.

Secretary of State,

Washington.

1531, August 22, 2 p.m.

FOR PEHLE WRB FROM HIRSCHMAN

ANKARA NO. 136.

According to information received in Istanbul the clandestine movement of Jews from Hungary to Rumania has increased during the past several weeks. At end of July there were estimated to be from 1500 to 1700 such refugees in Rumania. Estimates now are 3500 to 4000. Although the Rumanians condone this movement, persons who are caught are being held in a camp at Ngjiu, Transylvania. We are seeking to obtain further information regarding this camp.

KELLEY

WSB

KD-977
 Distribution of true
 reading only by special
 arrangement. (SECRET W)

Ankara

Dated August 22, 1944

Rec'd 10:28 p.m.

Secretary of State
 Washington

1532, August 22, 3 p.m.

FOR PEHLE WRB FROM HIRSCHMANN.

Ankara 137.

Balbanoff has authorized the publication of his letter written on July 25 and handed to me through Simons, concerning the desire of the present Bulgarian Government to improve the situation of the Jews in that country. The letter is precisely the same as that telegraphed to you on July 26 with the following changes:

Paragraph four: substitute for "this government intends to (***) the law concerning the Jews" the following: "this government intends substantially to mitigate the situation of the Jews. I even have the impression that the government has the intention to abrogate at an opportune moment the laws concerning the Jews".

Paragraph five: substitute for "at Sophia I was able to ascertain (***) from the conversation" the following: "at Sofia I was able to ascertain that the consistory must have been in complete accord with the intentions of the President of the Council and must have left very satisfied and pleased et cetera."

For the last sentence of Balbanoff's letter substitute "likewise I do not exclude as I have already said, the possibility of reaching soon a completely normal state in the situation of the Jews in our country."

KELLEY

BB

SECRET -by Courier AIRGRAM

FROM
Caracas
Dated August 22, 1944
Rec'd August 23, 5 p.m.

Secretary of State,
Washington.

A-708, August 22, 9:15 a.m.

Department's circular airgram (secret) August 3,
11 a. m. concerning safeguarding lives of American Republics
document holders and representation of interests in Hungary.

I have just been informed in strict confidence by the
Foreign Office in response to representations made under
instruction above cited that the Venezuelan Government has
requested the Swiss Federal Political Department to extend
territory and other countries of Central and Eastern Europe,
for the purpose of aiding the bearers of Venezuelan pass-
ports in these regions.

At the same time the Foreign Office confirmed the
information furnished in despatch No. 6374 of August 18
(then supplied by Mr. Feinquines) to the effect that the
Venezuelan Government has authorized its Legation at
Lisbon to visa the passports of Jewish refugees, especially
children, who are traveling to the American Continent,
even though they may not be proceeding to Venezuelan
territory.

The Foreign Office expects to know within a short
time the result of the request made to the Swiss Federal
Political Department and has stated that it will keep me
informed of the developments of the negotiations in this
regard.

FLACK

JF:er

AMERICAN OPINION

Copy of Cable from New York to M.G.I.
August 22nd, 1944.Radio Trends and Comment

The military situation in France received the greatest attention and all speakers pointed out that the primary aim was to destroy the German armies rather than capture Paris. It was generally believed that if Paris can be easily taken it will be done, but Paris may also be by-passed. General Montgomery's hopeful words that "the end of the war is in sight" were widely quoted and considered the best summary of events of the past weeks.

The opening speeches at the conference at Dumbarton Oaks were acclaimed as disposing of fear that small nations would be dominated by big powers. All speakers pointed out that Hull's speech had struck a note which was echoed by the British and Russian representatives. While RICHARD SPROUT attributed the greatest importance to the present conference, TAYLOR insisted that it cannot be "history making". If it were, Russia would be represented by Stalin, Britain by Eden or Churchill and the U.S.A. by Roosevelt. CECIL BROWN voiced his disbelief that this conference points towards a permanent peace but thought that more modest objective was to gain a breathing spell between two wars which would last longer than twenty-five years.

Nationwide Press Trends

Interest in the Dewey-Hull statements on the Dumbarton Oaks conference has now become nationwide. Most of the comment comes from independent and internationalist Republican papers, which, while applauding Dewey's statement, and even in some cases asserting that there is reason "to take cognizance" of reports that the conference would go too far in the direction of power politics, generally accept Hull's answer in good faith. They reiterate that Dewey has "cleared the air" and served to put himself and the Administration on record as against power politics, and they praise his "genuine concern" for the rights of the small nations. A few extremists such as the Omaha World Herald and the Chicago Tribune insist that all his fears are well grounded and that the Four Powers are indeed preparing for "a cynical agreement". At the same time, the New Deal papers continue to show scorn for Dewey's statement as "pure politics", and to applaud Hull's "forthright denial". Manchester Boddy is alone in his vehement denunciation of Dewey's statement as offering "a gross affront to our allies and friends, who may not understand that charlatanism, not patriotism is his motive."

In contrast to this, Dewey's appointment of Dulles as his representative to Hull has been generally applauded by all sections of comment. The first group praises Dulles's record in glowing terms as "a true devotee of internationalism," and declares that his appointment, together with Hull's statement ensures that America's rule in the conference will be strictly non-partisan, that foreign policy will not be an issue in the campaign. The Administration supporters agree that the outcome has been a healthy one, and they assert that at least Dewey has freed himself of the isolationists stigma and gone on record as a thorough-going internationalist.

E N D

SECRET

OPTEL No. 274

Information received up to 10 a.m., 22nd August, 1944.

1. NAVAL

NORTHERN WATERS. On 18th a party from U-boat landed at ICEFJORD, SPITZBERGEN, caused material damage and sank a motor boat. On 21st one of H.M. Sloops was sunk by U-boat N.E. of JAN MAYEN Island. 9 survivors.

HOME WATERS. On 20th/21st M.T.B's. damaged a trawler and 3 R-boats off CAP D'ANTIFER.

On 21st one of H.M. Canadian Corvettes was sunk by underwater explosion off ISLE OF WIGHT. The Captain, 2 Officers and 28 ratings saved. One of H.M. Corvettes damaged by mine assault and beached. Weather conditions 21st interfered with convoy sailings to NORMANDY and minesweeping off CHERBOURG abandoned. Shipping movement assault area are stopped until 11:30 a.m.

BAY OF BISCAY. One of H.M. Canadian frigates when picking up survivors from a Liberator off GIRONDE Estuary came under heavy fire from shore batteries. Casualties - 1 killed, 1 wounded. 3 aircrew saved.

MEDITERRANEAN. TOULON. 19th. Area bombarded by Allied warships. No reply from enemy. 1 hit on STRASBOURG. 20th. Further successful bombardment by French and U.S. battleships. Slight return fire.

2. MILITARY

FRANCE. U.S. forces recaptured PITHIVIERS, N.E. ORLEANS. The bridgehead over SEINE at MANTES has been expanded and more troops have crossed the river. North of ARGENTAN the surrounded remnants of German Seventh Army yesterday counterattacked Polish Armoured Division fiercely from N.E. and S.W. in attempt to break out. U.K. troops made further advances towards LISIEUX and secured 2 small bridgeheads over the TOUQUES, 3 to 5 miles S. of town.

SOUTHERN FRANCE. U.S. reconnaissance elements are pushing northwards astride DURANCE from SISTERTON area and have crossed the river further S. near PERTUIS. Other U.S. forces have captured AIX. Prisoners estimated noon 20th - 14,000.

RUSSIA. Germans have recaptured TUKUMS and claim to have joined up with their formations in KURLAND. Russians have repulsed German attacks and have occupied several places N.E. of PRAGA. They have liquidated the German forces surrounded north of SANDOMIERZ.

3. AIR OPERATIONS

WESTERN FRONT. 21st. Mosquitoes attacked and left on fire one trawler and 2 minesweepers off GIRONDE Estuary. Weather conditions over N.W. FRANCE severely curtailed operations. 21st/22nd. 7 German aircraft operated over the East Coast and THAMES Estuary.

SOUTHERN FRANCE AND NORTHERN ITALY. 912 aircraft attacked communications, transport, etc.

HUNGARY. 21st. U.S. heavy bombers dropped 201 tons on HAJDUBOSZORMENY airfield where Mustangs attacked grounded aircraft destroying 37.

YUGOSLAVIA. 21st. U.S. heavy bombers dropped 220 tons on NIS airfield. 2 bombers missing these operations.

4. HOME SECURITY

During 24 hours ending 6 a.m., 22nd, 128 flying bombs plotted.

OPTEL No. 273 not sent to Washington.