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Quebec Directive on Germany

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TOP SECRET

At a conference between the President and the Prime Minister upon the best measures to prevent renewed rearmament by Germany, it was felt that an essential feature was the future disposition of the Ruhr and the Saar.

The ease with which the metallurgical, chemical and electric industries in Germany can be converted from peace to war has already been impressed upon us by bitter experience. It must also be remembered that the Germans have devastated a large portion of the industries of Russia and of other neighbouring Allies, and it is only in accordance with justice that these injured countries should be entitled to remove the machinery they require in order to repair the losses they have suffered. The industries referred to in the Ruhr and in the Saar would therefore be necessarily put out of action and closed down. It was felt that the two districts should be put under somebody under the world organization ^{which} ~~who~~ would supervise the dismantling of these industries and make sure that they were not started up again by some subterfuge.

This programme for eliminating the war-making

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industries in the Ruhr and in the Saar is looking forward to converting Germany into a country primarily agricultural and pastoral in its character.

The Prime Minister and the President were in agreement upon this programme.

Handwritten initials: NK 119

*Handwritten initials: LRS
15.9*

..... September 15, 1944.

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Copies to Bell 4/2
White 9/15/44-

September 15, 1944

MEMORANDUM FOR THE PRESIDENT:

Since the meeting with you on September 9th attended by the Secretary of State, the Secretary of the Treasury, Mr. Hopkins, and myself, I have had an opportunity to read the latest papers submitted to you by the Secretary of the Treasury on the treatment of Germany. There is no need to make any extended or detailed reply to these papers. My views have already been submitted to you in other memoranda. I merely wish to reiterate briefly that I still feel that the course proposed by the Treasury would in the long run certainly defeat what we hope to attain by a complete military victory,- that is, the peace of the world, and the assurance of social, economic and political stability in the world.

The point of difference is not one of objective, - continued world peace - it is one of means. When we discuss means, the difference is not whether we should be soft or tough on the German people, but rather

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whether the course proposed will in fact best attain our agreed objective, continued peace.

If I thought that the Treasury proposals would accomplish that objective, I would not persist in my objections. But I cannot believe that they will make for a lasting peace. In spirit and in emphasis they are punitive, not, in my judgment, corrective or constructive. They will tend through bitterness and suffering to breed another war, not to make another war undesired by the Germans nor impossible in fact. It is not within the realm of possibility that a whole nation of seventy million people, who have been outstanding for many years in the arts and the sciences and who through their efficiency and energy have attained one of the highest industrial levels in Europe, can by force be required to abandon all their previous methods of life, be reduced to a peasant level with virtually complete control of industry and science left to other peoples.

The question is not whether we want Germans to suffer for their sins. Many of us would like to see them suffer the tortures they have inflicted on others. The only question is whether over the years a group of

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seventy million educated, efficient and imaginative people can be kept within bounds on such a low level of subsistence as the Treasury proposals contemplate. I do not believe that is humanly possible. A subordinate question is whether even if you could do this it is good for the rest of the world either economically or spiritually. Sound thinking teaches that prosperity in one part of the world helps to create prosperity in other parts of the world. It also teaches that poverty in one part of the world usually induces poverty in other parts. Enforced poverty is even worse, for it destroys the spirit not only of the victim but debases the victor. It would be just such a crime as the Germans themselves hoped to perpetrate upon their victims--it would be a crime against civilization itself.

This country since its very beginning has maintained the fundamental belief that all men, in the long run, have the right to be free human beings and to live in the pursuit of happiness. Under the Atlantic Charter victors and vanquished alike are entitled to freedom from economic want. But the proposed treatment of Germany would, if successful, deliberately deprive

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many millions of people of the right to freedom from want and freedom from fear. Other peoples all over the world would suspect the validity of our spiritual tenets and question the long range effectiveness of our economic and political principles as applied to the vanquished.

The proposals would mean a forcible revolution in all of the basic methods of life of a vast section of the population as well as a disruption of many accustomed geographical associations and communications. Such an operation would naturally and necessarily involve a chaotic upheaval in the people's lives which would inevitably be productive of the deepest resentment and bitterness towards the authorities which had imposed such revolutionary changes upon them. Physically, considering the fact that their present enlarged population has been developed and supported under an entirely different geography and economy, it would doubtless cause tremendous suffering involving virtual starvation and death for many, and migrations and changes for others. It would be very difficult, if not impossible, for them to understand

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any purpose or cause for such revolutionary changes other than mere vengeance of their enemies and this alone would strongly tend towards the most bitter reactions.

I am prepared to accede to the argument that even if German resources were wiped off the map, the European economy would somehow readjust itself, perhaps with the help of Great Britain and this country. And the world would go on. The benefit to England by the suppression of German competition is greatly stressed in the Treasury memorandum. But this is an argument addressed to a shortsighted cupidity of the victors and the negation of all that Secretary Hull has been trying to accomplish since 1933. I am aware of England's need, but I do not and cannot believe that she wishes this kind of remedy. I feel certain that in her own interest she could not afford to follow this path. The total elimination of a competitor (who is always also a potential purchaser) is rarely a satisfactory solution of a commercial problem.

The sum total of the drastic political and economic steps proposed by the Treasury is an open

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confession of the bankruptcy of hope for a reasonable economic and political settlement of the causes of war.

I plead for no "soft" treatment of Germany. I urge only that we take steps which in the light of history are reasonably adapted to our purpose, namely, the prevention of future wars. The Carthaginian aspect of the proposed plan would, in my judgment, provoke a reaction on the part of the people in this country and in the rest of the world which would operate not only against the measures advocated but in its violence would sweep away the proper and reasonable restrictive measures that we could justifiably impose.

I have already indicated in my memorandum of September 9, 1944, the lines along which I would recommend that we should go pending further light on other questions which can only be obtained after we have acquired greater knowledge of conditions and trends within Germany as well as of the views and intentions of our Allies.

HENRY L. STIMSON

Secretary of War

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THE WHITE HOUSE
WASHINGTON

September 19, 1944

Memorandum for Hon. Henry Morgenthau, Jr.

Just in case you would like
to read.

E.R.

Q

SEP 30 1944

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11:05

FOR RELEASE SEPT. 15, 1944

THE GERMAN PROBLEM--TWO SOLUTIONS

- 1) THE LASKI WAY.BY HAROLD J. LASKI
 2) THE VANSITTART WAY.BY LORD VANSITTART

I--BY HAROLD J. LASKI

LONDON (ONA)--THAT GERMANY HAS BEEN IN THE FOREFRONT OF WORLD-AGGRESSION FOR SOMETHING LIKE 80 YEARS IS TOO OBVIOUS TO NEED DENIAL, BUT IT SEEMS TO ME FOOLISH BEYOND MEASURE TO ARGUE THAT THIS AGGRESSION IS DUE TO SOME CONGENITAL TENDENCY IN GERMANS. IT SEEMS TO ME EVEN MORE FOOLISH TO IMAGINE THAT WE SHALL FREE OURSELVES FROM THE DANGER OF A RECURRENCE OF THE GERMAN THREAT BY THE WHOLESALE EXECUTION OF GERMANS, OR BY DIVIDING UP GERMANY BY SOME PROCESS OF BALKANIZATION. NOR DO I BELIEVE IN THE POLITICAL WISDOM OF A LONG MILITARY OCCUPATION OF GERMANY BY THE ARMIES OF THE UNITED NATIONS, OR AN ATTEMPT ON THEIR PART TO UNDERTAKE THE RE-EDUCATION OF THE GERMAN PEOPLE.

INSOFAR AS "VANSITTARTISM" MEANS ANY OF THESE THINGS, AFTER THE DEFEAT OF NAZISM, I THINK IT IS DEALING WITH SYMPTOMS AND NOT WITH CAUSES. I AGREE THAT THE LEADERS OF THE NAZI PARTY MUST BE EXECUTED. I AGREE THAT THE GESTAPO MUST BE BROKEN, AND THAT MEMBERS OF THE S.S. MUST BE PUNISHED. I ACCEPT THE OBLIGATION TO VISIT APPROPRIATE PENALTIES ON THE MILITARY LEADERS WHO HAVE BEEN RESPONSIBLE FOR ATROCITIES ALL OVER OCCUPIED EUROPE. I ACCEPT, ALSO, THE NECESSITY OF EXCLUDING FROM ANY FUTURE PLACE IN THE POLITICAL LIFE OF GERMANY THOSE WHO HAVE VOLUNTARILY ASSISTED THE NAZI PARTY IN ITS RISE AND DEVELOPMENT.

BUT THE REAL GERMAN PROBLEM SEEMS TO ME ESSENTIALLY A PROBLEM OF ORGANIZING A WHOLESALE SHIFT IN THE DISTRIBUTION OF CLASS-POWER IN GERMANY. WE HAVE TO BREAK DOWN THE AUTHORITY OF THE JUNKERS. WE HAVE TO SOCIALIZE THE HEAVY INDUSTRIES; I WANT TO SEE THEM AT WORK TO EQUIP THE BACKWARD AREAS OF THE WORLD WITH THE AGRICULTURAL AND INDUSTRIAL MACHINERY IT NEEDS SO BADLY. I AM FULLY PREPARED TO SEE GERMANY PROHIBITED FROM HAVING A NAVY OR AN ARMY OR AN AIR FORCE. BUT THE MOST URGENT NEED IN GERMANY IS THE ENCOURAGEMENT, WITH ALL OUR POWER, OF THE WORKING-CLASS FORCES OF WHICH HITLER WAS ESSENTIALLY THE EXECUTIONER HIRED BY BIG BUSINESS, THE ARMY, AND THE ARISTOCRACY. I THINK IT IS FOLLY TO ATTEMPT THE FORCIBLE DECENTRALIZATION OF GERMAN GOVERNMENT. ALL WE SHALL ACCOMPLISH BY SO DOING IS TO SET THE STAGE FOR A PASSIONATE NATIONALIST REVIVAL WITH CENTRALIZATION AS ITS OBJECTIVE.

WHAT IS CALLED "VANSITTARTISM" TOO RARELY REMEMBERS THAT THE FUTURE CHARACTER OF GERMANY DEPENDS, IN A VERY LARGE DEGREE, ON THE FUTURE CHARACTER OF THE WORLD-ORDER, IN GENERAL, AND THE EUROPEAN ORDER IN PARTICULAR, OF WHICH IT IS TO BE A PART. IF THAT ORDER IS COMPOSED OF NATIONS IN WHICH PRIVILEGE IS THE POSSESSION OF A FEW AND THE MANY ARE THEIR HEWERS OF WOOD AND DRAWERS OF WATER, I SEE NO PROSPECT OF AVOIDING A NEW AND EVIL ERA OF POWER POLITICS IN WHICH THE EVIL PART PLAYED BY GERMANY SINCE BISMARCK'S DAY WILL BE PLAYED BY ANOTHER NATION IN ITS PLACE.

I AM NOT EASILY ABLE TO UNDERSTAND WHY LORD VANSITTART CAN BE SO EMPHATIC ABOUT THE WICKEDNESS OF GERMANY, AND REMAIN SILENT OVER THE HABITS OF FASCIST ITALY, OR FRANCO SPAIN, OR THE HUNGARY OF HORTHY. I SUSPECT THAT HE HAS NO OTHER GROUND THAN THE FACT OF GERMANY'S GREAT POWER AND ITS EFFECT UPON OURSELVES. I DO NOT FIND IN HIS WRITINGS ON GERMANY ANY EFFECTIVE HISTORICAL EXPLANATION OF THE PATTERN OF ITS AGGRESSIVENESS. HE NEGLECTS THE SIGNIFICANCE OF THE WEAKNESS OF ITS MIDDLE CLASS COMPARED TO THAT IN OTHER CAPITALIST COUNTRIES. HE FAILS TO ESTIMATE THE IMPORTANCE OF THE LATE ARRIVAL OF GERMANY UPON THE HISTORIC SCENE AS A WORLD-POWER. HE DOES NOT DISCUSS THE HISTORICAL CAUSES WHICH LED TO THE ACHIEVEMENT AND RETENTION OF SPECIAL AUTHORITY BY A FEUDAL TYPE WHICH DISAPPEARED IN ENGLAND AND FRANCE IN THE SIXTEENTH AND SEVENTEENTH CENTURIES RESPECTIVELY.

LITTLE GOOD IS DONE TO ANYONE BY EXCITEMENT OVER THE VICIES OF WHAT LORD VANSITTART CALLS "BAD GERMANS." THE KIND OF THING HE SAYS ABOUT THEM WAS SAID ABOUT ENGLAND BY THOMAS JEFFERSON AFTER 1783, AND ABOUT FRANCE AFTER 1789 AT INTERVALS UNTIL THE ENTENTE OF 1905. IT IS, MOREOVER, IMPORTANT THAT THE WICKEDNESS OF HITLERISM, HOWEVER FERVENTLY PREACHED BY LORD VANSITTART WHEN HE WAS IN THE FOREIGN OFFICE, LEFT A LARGE NUMBER OF EMINENT BRITISH CONSERVATIVES ENTIRELY UNMOVED. IT WOULD BE INTERESTING TO KNOW WHY HE HAS HAD SO LITTLE TO SAY AGAINST MUSSOLINI AND HIS GANGSTERS; FOR, IF LESS POWERFUL, THEY ARE OF THE SAME MAKE AS HITLER AND HIS KIND. AND IT IS ASTONISHING THAT HE DOES NOT ASK WHY THE "AGGRESSIVENESS" OF GERMANY EMERGES AT A PRETTY DEFINITE DATE, AND AROUSES THE SAME TYPE OF EMOTION AS THE IMPERIALISM OF SPAIN AND FRANCE, IN THE INDEPENDENCE OF NATIONS, AND, SECOND, IN A TECHNOLOGICAL SITUATION WHICH MAKES GERMAN AGGRESSIVENESS MORE VIOLENT AND UGLY IN ITS RESULTS THAN ANY WHICH PRECEDED IT.

I SHARE FULLY LORD VANSITTART'S VIEW THAT NAZI GERMANY MUST BE OVERWHELMINGLY DEFEATED AND ITS PROPONENTS SEVERELY PUNISHED. WHERE I DIFFER FROM HIM IS IN MY INSISTENCE THAT WE CAN ONLY CURE THIS PATHOLOGICAL GERMANY BY CURING THE PATHOLOGICAL WORLD-ORDER IN WHICH ITS DISEASE HAS BECOME SO ACUTE. TO THE PROBLEMS OF THIS WORLD-ORDER I CAN NOT FIND THAT LORD VANSITTART GIVES ANY SERIOUS ATTENTION TODAY ANY MORE THAN HE DID WHEN HE WAS PERMANENT SECRETARY OF THE FOREIGN OFFICE. I UNDERSTAND HIS FIERCE INDIGNATION AT THE EVIL THINGS GERMANY HAS DONE. I WISH HE HAD BEEN AS FIERCELY INDIGNANT OVER EVIL THINGS ELSEWHERE. IF HE USED HIS GREAT INFLUENCE AND EXPERIENCE NOT MERELY TO EXPLODE IN ANGER BUT TO ANALYZE PHILOSOPHICALLY, I THINK HE WOULD MAKE A GREATER CONTRIBUTION TO INTERNATIONAL WELL-BEING. INVECTIVE CAN ALWAYS BE LEFT TO THE LAZY AND THE HALF-INFORMED. A MAN WHO HAS HAD LORD VANSITTART'S GREAT EXPERIENCE OWES US SOMETHING MORE THAN INVECTIVE. IT NO MORE HELPS TO SOLVE THE GERMAN PROBLEM THAN THE RANTING OF BILBO OR EUGENE TALMADGE HELPS TO SOLVE THE PROBLEM OF THE NEGRO IN THE UNITED STATES. AND I SEE NO BETTER REASON TO JUDGE THE UNITED STATES BY ITS BILBOS OR ITS TALMADGES THAN TO JUDGE GERMANY BY THE NAZI PARTY AND ITS DEPENDENTS.

(LORD VANSITTART'S REPLY FOLLOWS)

II--BY LORD VANSITTART

LONDON (ONA)--PROFESSOR HAROLD LASKI'S ARTICLE MISREPRESENTS BOTH THE PROBLEM AND ME. FOR EXAMPLE, I DO NOT THINK THAT GERMAN SAVAGERY IS NECESSARILY CONGENITAL. ALL THAT I SAY IS THAT FOR MANY GENERATIONS THE GERMANS HAVE BEEN BECOMING MORE BARBAROUS, WHEREAS OTHER NATIONS HAVE ADVANCED. THIS I ATTRIBUTE LARGELY TO THE FACT THAT THE GERMANS HAVE SYSTEMATICALLY MISEDUCATED THEMSELVES.

PROFESSOR LASKI DEPRECATES WHAT HE CALLS THE WHOLESALE EXECUTION OF GERMANS. I REPLY THAT THE NUMBER OF SUB-HUMAN BRUTES IN GERMANY IS LEGION, E.G. IN THE GESTAPO, S.S. AND S.D. IF PROFESSOR LASKI INTENDS TO LEAVE THEM AT LIBERTY HE WILL HAVE ANOTHER AND WORSE EUROPEAN WAR IN TEN YEARS.

PROFESSOR LASKI DEPRECATES A LONG OCCUPATION OF GERMANY. YET WITHOUT A LONG OCCUPATION EVERY POSSIBLE REFORM WILL COLLAPSE LIKE A HOUSE OF CARDS. PROFESSOR LASKI FURTHER DEPRECATES ANY ATTEMPT BY OTHER PEOPLES TO RE-EDUCATE THE GERMAN PEOPLE. YET WE MUST SEE TO IT

THAT THEY SHALL NOT BE TAUGHT RACIALISM, MILITARISM, IMPERIALISM AND REVENGE. TO IMPLEMENT THAT INSISTENCE A PROLONGED OCCUPATION IS NECESSARY.

LIKE PROFESSOR LASKI I INTEND TO BREAK THE POWER OF THE JUNKERS; BUT IT IS MAINLY BROKEN ALREADY. OUR WORST ENEMIES NOWADAYS ARE THE MILITARISTS AND HEAVY INDUSTRIALISTS. I AM DETERMINED TO BREAK THEM ALSO. BECAUSE, HOWEVER, THESE CLASSES ARE THE MOST GUILTY ONES, IT DOES NOT FOLLOW THAT THE GERMAN WORKERS ARE GUILTLSS. THEY ARE ON THE CONTRARY GUILTY THOUGH LESS GUILTY. THE DIFFERENTIATION HAS BEEN OF SMALL COMFORT TO TORTURED EUROPE.

PROFESSOR LASKI SAYS IT IS FOLLY TO DECENTRALIZE THE GERMAN ADMINISTRATION. WELL, WE HAVE HAD TWO GERMAN WORLD WARS RUTHLESSLY AND POPULARLY CARRIED OUT BY OVER-CENTRALIZATION. PROFESSOR LASKI IS PREPARED TO GO ON WITH THE OLD POISON. I AM NOT. WE MUST DECENTRALIZE GERMANY OR PERISH.

PROFESSOR LASKI WONDERS WHY I SAY SO MUCH ABOUT THE WICKEDNESS OF GERMANY "AND REMAIN SILENT OVER THE HABITS OF FASCIST ITALY OR FRANCO SPAIN OR THE HUNGARY OF HORTHY." THE ANSWER IS THAT OF COURSE I DO NOT REMAIN SILENT. THERE IS, HOWEVER, NO RELATION WHATEVER BETWEEN THE APPALLING RESULTS OF GERMAN WICKEDNESS AND THE CONSEQUENCES TO MANKIND AS A WHOLE OF THESE SHODDY AND OFFENSIVE SIDESHOWS, WHICH WILL ANYHOW BE DOOMED TO DISAPPEAR WHEN WE HAVE SHATTERED THE GREAT EVIL. PROFESSOR LASKI SUGGESTS THAT I ONLY HATE THE GERMAN EVIL BECAUSE OF ITS EFFECT ON OURSELVES. IT IS A PITY THAT HE WILL NOT READ ME BEFORE HE ATTACKS ME; ELSE HE WOULD HAVE SEEN THAT IN "BLACK RECORD" I MADE THE GRAVAMEN OF MY CHARGE AGAINST THE GERMANS THAT THEY HAVE DESTROYED EIGHT HUNDRED MILLION HAPPINESSES. I AM IN FACT A KEENER EUROPEAN THAN PROFESSOR LASKI.

THE PROFESSOR ADDS THAT I NEGLECT "THE SIGNIFICANCE OF THE WEAKNESS OF THE GERMAN MIDDLE CLASS." I DO NOT DWELL UPON ITS WEAKNESS BECAUSE IT IS NOT WEAK. IT IS ON THE CONTRARY EXCEEDINGLY STRONG. ITS FAILING IS NOT WEAKNESS BUT ITS READINESS NOT TO THINK POLITICALLY AND THEN TO FOLLOW WITH ALL ITS GREAT STRENGTH ANY BRUTES WHO WILL THINK AGGRESSIVELY ON ITS BEHALF.

THE PROFESSOR SAYS AGAIN THAT I "FAIL TO ESTIMATE THE IMPORTANCE OF THE LATE ARRIVAL OF GERMANY." I HAVE TAKEN FULL NOTE OF ITS CONSEQUENCES; BUT BECAUSE A MAN ARRIVES LATE FOR DINNER THERE IS NO EXCUSE

FOR HIM WHEN HE BREAKS THE CROCKERY, SLASHES THE PICTURES, MURDERS HIS HOST AND RAPES THE COOK.

"LITTLE GOOD," SAYS THE PROFESSOR, "IS DONE TO ANYONE BY EXCITEMENT OVER THE VICIS OF WHAT LORD VANSITTART CALLS 'BAD GERMANS.'" THE PROFESSOR HAS SPENT HIS CAREER IN IMMUNE BRITAIN. HE THEREFORE CANNOT UNDERSTAND THAT I AM HUMAN ENOUGH TO SHARE THE "EXCITEMENT" OF THE VICTIMS OF THE BAD GERMANS. THANK GOD, I CAN GET "EXCITED" ABOUT HUMAN SUFFERING. I PITY THE PROFESSOR'S DETACHMENT.

THE PROFESSOR RESORTS TO THE OLD SUGGESTION THAT IN THE PAST THE SAME KIND OF THINGS WERE SAID BY OTHERS ABOUT ENGLAND AND FRANCE. THAT IS NOT ONLY IRRELEVANT BUT UNTRUE. NOTHING EVER LAID AT THE DOOR OF ENGLAND OR FRANCE HAS EVER BEEN EVEN REMOTELY COMPARABLE WITH THE CONSEQUENCES OF GERMANY'S TWO WORLD WARS. LET US KEEP TO THE POINT INSTEAD OF LOOKING FOR HANDFULS OF ANCIENT DIRT TO SLING AT OTHER PEOPLE IN ORDER TO EXONERATE THE GERMANS.

THE PROFESSOR NEXT COMES FORWARD AS A PARTY POLITICIAN. I BELONG TO NO PARTY. HE SAYS THAT HOWEVER FERVENTLY I PREACHED THE WICKEDNESS OF HITLERISM WHEN AT THE FOREIGN OFFICE, A LARGE NUMBER OF EMINENT BRITISH CONSERVATIVES WERE LEFT ENTIRELY UNMOVED. SO WERE ALSO THE LIBERAL AND LABOR PARTIES, IN THE SENSE THAT THEY RESOLUTELY OPPOSED THE ONLY THING THAT COULD HAVE CHECKED HITLERISM, I.E., MASSIVE AND TIMELY REARMAMENT. IN MY STRUGGLE FOR THAT SAFEGUARD I OBTAINED NO ASSISTANCE FROM ANY OF THE THREE BRITISH POLITICAL PARTIES.

NEXT HE INQUIRES WHY I HAVE "HAD SO LITTLE TO SAY AGAINST MUSSOLINI AND HIS GANGSTERS." THIS IS ANOTHER RED-HERRING. I HAVE HAD PLENTY TO SAY ABOUT MUSSOLINI AND HIS GANGSTERS, BUT NO ONE IN HIS SENSES COULD EVER HAVE THOUGHT THAT ITALIAN MOUNTEBANKS, HOWEVER TYRANNICAL, COULD CONSTITUTE A DANGER TO MANKIND. THE ITALIANS ARE FAR TOO INCOMPETENT AND UNWARLIKE FOR THAT. THE DANGER IS NAZISM, WHICH IS MILITARISM, WHICH IS GERMANITY.

THE PROFESSOR WANTS ME TO MANIFEST MY "FIERCE INDIGNATION" NOT ONLY AT THE EVIL THINGS THAT GERMANY HAS DONE BUT AGAINST "THE EVIL THINGS ELSEWHERE." FIRST THINGS FIRST. WHEN WE HAVE UTTERLY DESTROYED THE ATROCIOUS SPIRIT OF GERMANITY I SHALL CERTAINLY FIND AMPLE TIME "TO EXPLODE IN ANGER" AGAINST EVIL THINGS ELSEWHERE. UNFORTUNATELY, SOME OF PROFESSOR LASKI'S COLLEAGUES HAVE BY PRO-GERMANITY SO GREATLY COMPLICATED MY JOB AS TO MAKE IT A WHOLE-TIME ONE. I WILL PASS TO OTHER

ISSUES WHEN THEY BECOME MORE REASONABLE. "INVECTIVE," CONCLUDES THE PROFESSOR, "CAN ALWAYS BE LEFT TO THE LAZY AND THE HALF-INFORMED." I HAVE BEEN SUBJECTED TO THE MOST VIOLENT FORMS OF INVECTIVE BY SOME OF THOSE WITH WHOM HE IS ASSOCIATED. I AM QUITE WILLING TO ACCEPT HIS SUGGESTION THAT THEY ARE "HALF-INFORMED." AS TO THE LAZINESS, MANY OF THEM HAVE NOT TROUBLED EVEN TO READ WHAT I WRITE.

PROFESSOR LASKI HAS ATTACKED ME IN LIVELY FASHION, AND I HAVE RESPONDED, BUT IN A SPIRIT OF COMPLETE PERSONAL AMITY.

(LASKI'S REBUTTAL FOLLOWS)

A NOTE ON LORD VANSITTART'S REPLY.BY HAROLD J. LASKI

LONDON (ONA)--LORD VANSITTART, IS, PERSONALLY, ONE OF THE MOST LO VABLE OF MEN. BUT WHEN HE DWELLS IN THE REALM OF INTELLECTUAL DISCUSSION, HE LOSES ALL SENSE OF PROPORTION AND MOST OF HIS CAPACITY FOR LOGIC. A GOOD DEAL OF HIS REPLY TO MY ARGUMENT BELONGS TO THAT CATEGORY OF THOUGHT DESCRIBED BY LORD ACTON WHEN HE SAID "WHEN IN DOUBT, PLAY NATIONAL CHARACTER." THERE IS REALLY NO SERIOUS EVIDENCE OF ANY SPECIAL GERMAN AGGRESSIVENESS BEFORE THE ADVENT OF BISMARCK TO POWER. THERE IS GRIM EVIDENCE THAT NAZISM IS THE USE OF A PATTERN OF WHICH ITALY, SPAIN AND HUNGARY ARE OTHER IMPRESSIONS; IT IS THE EFFORT OF PRIVILEGE TO USE NATIONALISTIC GANGSTERISM TO PREVENT THE FULFILMENT OF THE DEMOCRATIC IDEAL. LORD VANSITTART DOES NOT DEAL WITH THE GENERAL CAUSES WHICH LED TO THE EMERGENCE OF THIS PATTERN. HE SEEMS TO IMAGINE THAT THE LARGER THE NUMBER OF EXECUTIONS IN GERMANY AFTER ITS DEFEAT, THE LESS INCLINED ITS PEOPLE WILL BE FOR REVENGE. I KNOW NO CLEARER PROOF OF THE PRINCIPLE THAT MEN BECOME TRANSFORMED INTO THE IMAGE OF THOSE WHOM THEY HATE. WE HAVE GOT TO LIVE IN A EUROPE WHICH CONTAINS SOME SEVENTY MILLION GERMANS AFTER THE WAR. LORD VANSITTART'S REMEDY FOR THIS IS TO STOKE UP THE FIRES OF THEIR HATRED AGAINST US; MY REMEDY IS TO BUILD A WORLD IN WHICH GERMANS, NOT LESS THAN OURSELVES, HAVE AN EQUAL INTEREST IN MAINTAINING PEACE.

I AGREE WITH LORD VANSITTART THAT OUR WORST ENEMIES ARE THE MILITARISTS AND THE HEAVY INDUSTRIALISTS, TOGETHER WITH THEIR AGENTS, THE GESTAPO AND THE S.S. BUT THEY ARE AS SMALL A PROPORTION OF GERMANY AS THE "ECONOMIC ROYALISTS" OF AMERICA, OR THE "TWO HUNDRED FAMILIES" IN FRANCE OR THE MILITANT MEMBERS OF THE FEDERATION OF BRITISH INDUSTRIES. FOR A MAN WHO, LIKE LORD VANSITTART, HAS HELD A GREAT ADMINI-

LASKI-VANSITTART

PAGE SEVEN

STRATIVE POSITION, IT IS ASTONISHING TO NOTE HOW LITTLE HE HAS LEARNED FROM THE EXPERIENCE. HE THINKS, SEEMINGLY, THAT ARMAMENTS ARE A GUARANTEE OF PEACE; HE DOES NOT EVEN MENTION THE AGONY BROUGHT ON THE WORLD BY JAPANESE MILITARISM; AND HIS PATHETIC ANALOGY OF THE MISBEHAVIOR OF THE MAN AT DINNER SUGGESTS THAT HE THINKS THE HISTORIC PROCESS A STATIC ONE. WHAT HE SAYS OF THE GERMAN MIDDLE CLASS WOULD BE FANTASTIC IF IT WERE NOT TRAGIC FROM A MAN WHO HAS HAD HIS OPPORTUNITIES.

LORD VANSITTART IS WHOLLY WRONG IN SAYING THAT THE KIND OF THING WITH WHICH HE CHARGES GERMANY WAS NEVER CHARGED AGAINST FRANCE AND ENGLAND. HE SHOULD READ THE ATTACKS BY HUGUENOTS ON THE FRANCE OF LOUIS XVI AND OF MEN OF PROPERTY EVERYWHERE AGAINST THE JACOBINS AND NAPOLEON. AS TO ENGLAND, HE OUGHT TO READ, TO TAKE ONE MAN ONLY, JEFFERSON'S LETTERS TO LANGDON IN 1810, TO OGILVIE IN 1811, TO J.F. WATSON IN 1814, TO MME. DE STAEL IN 1815, AND TO PLUMER, RODNEY AND LOGAN IN 1815 AND 1816. I HOPE LORD VANSITTART WILL NOT MIND MY SAYING THAT THEY READ LIKE EXTRACTS FROM AN EARLIER VERSION OF "BLACK RECORD."

I CORDIALLY RECIPROCATE LORD VANSITTART'S PERSONAL AMITY; I THINK HE IS A FINE PERSON, WHOSE EMOTIONS HAVE A HABIT OF RUNNING AWAY WITH HIS JUDGMENT. HE HAS, NATURALLY ENOUGH, A GRIM SENSE OF HIS FAILURE WHILE PERMANENT SECRETARY OF THE FOREIGN OFFICE, AND THIS LEADS HIM TO SUBLIMATE HIS INABILITY TO MAKE THREE PRIME MINISTERS UNDERSTAND THE NAZI MENACE INTO A WILD AND WHIRLING ACCUSATION AGAINST GERMANS IN THE MASS. THIS UTTER LACK OF ANY SENSE OF POLITICAL OR OF HISTORICAL PROPORTION HAS MADE LORD VANSITTART, SINCE 1939, ONE OF THE CHIEF WEAPONS IN DR. GOEBBELS' ARMORY. I HAVE TOO MUCH AFFECTION FOR LORD VANSITTART TO BELIEVE THAT THIS IS THE ROLE HE EITHER WANTED, OR INTENDED TO PLAY.

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Sept. 8, 1944

MEMO TO EDITORS

As the war in Europe races to its inevitable climax, the debate on what to do with Germany after its defeat waxes ever hotter.

The debate, generally, swirls around what has come to be known as "Vansittartism," which advocates drastic treatment of the Reich.

To put the problem as definitively before the public as possible, the Overseas News Agency organized a written debate on the subject by the leading protagonist of "Vansittartism," Lord Vansittart himself, and the leading protagonist of the opposite school of thought, Prof. Harold J. Laski.

The result is one of the liveliest, most provocative and definitive discussions of a burning issue ever offered for publication. The sparks fly as the two champions of opposite camps cross swords in the debate of the year on

THE GERMAN PROBLEM--TWO SOLUTIONS

By Harold J. Laski and Lord Vansittart

Prof. Laski, famous British political scientist and ONA columnist, draws first blood with his analysis of "Vansittartism" while at the same time indicating his own solution of the problem. Lord Vansittart counterattacks sharply, driving home telling thrusts that will delight adherents of the "hard" peace for Germany. Prof. Laski then replies briefly to wind up the debate, Lord Vansittart resting his case on his previous effort.

THIS THREE-IN-ONE FEATURE IS AVAILABLE FOR PUBLICATION AT YOUR RATES OR RATES PREVIOUSLY AGREED UPON. PLEASE OBSERVE THE RELEASE DATE--SEPT. 15.

OVERSEAS NEWS AGENCY
101 PARK AVE., NEW YORK 17, N.Y.

SEP 15 1944

Dear Mr. Brand:

Thank you for your letter of September 8, 1944 in which you state that the Chancellor of the Exchequer has agreed to the establishment of a uniform exchange rate for the mark equivalent to 10 marks to the dollar. It is understood that this rate will apply to troop pay and similar expenditures for our combined forces in Germany.

Please convey to the Chancellor my appreciation for his action in this matter.

Sincerely yours,

(SIGNED) D. W. BELL

Acting Secretary of the Treasury.

Mr. R. H. Brand,
United Kingdom Treasury Delegation,
Box 680,
Benjamin Franklin Station,
Washington, D.C.

LWC:rl 9/9/44

UNITED KINGDOM TREASURY DELEGATION

September 8, 1944

Dear Mr. Morgenthau:

I duly reported to the Chancellor the substance of what you told me yesterday.

The Chancellor has asked me to say that, as he thinks it essential that the decision as regards the rate of exchange for troop pay in Germany should be a combined one, he has reluctantly come to the conclusion that he has no alternative but to instruct the British military authorities to agree to a rate equivalent to the rate of 10 marks to the dollar, and to concert with the War Department the necessary instructions to General Eisenhower.

The Chancellor has done so on the understanding that there is now no question of the use of yellow seal dollars in Germany, and that the decision as to the rate of exchange for troop pay will not affect consideration at the appropriate time of the general rate of exchange for the Reichsmark.

Yours sincerely,

/s/ R. H. BRAND

R. H. Brand

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

MEMORANDUM FOR THE SECRETARY.

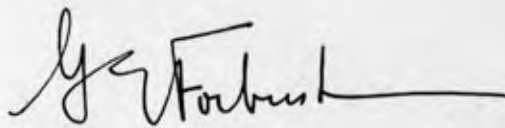
September 15, 1944.

Mail Report

Again the week's tax mail contained a number of requests for refunds, and fully half of the communications referred by the White House also asked help in securing the amounts due. There was little else on the subject of taxes.

Dominated by routine inquiries about procedure, bond mail differed hardly at all from that of previous weeks. The plan for cashing bonds over the counter had only one favorable letter and a number of unfavorable ones, chiefly from bank officials. A dozen replies to the redemption slip told the usual stories of illness or inadequate income. Sixty-five bonds were submitted for redemption - a small increase over the number received last week. A record low mark was set in the number of complaints about delays in handling bonds and in paying interest. Among the constructive suggestions were several that V-E Day be made an occasion for a bond drive.

Four gifts were received, the largest of them a check from the Mexican, Mr. Melchor Leon, for \$360.75. Walter Winchell's broadcast about Federal salaries of Martin Dies and his family provoked two sharp protests that tax and bond funds should be so used.



General Comments

Vernon C. Farris, Government Employee, Voter In Good Standing, Taxpayer, Vicksburg, Mississippi. Is it true (as related by Walter Winchell) that Martin Dies' 15-year old son has a job at \$2400 per annum, plus overtime, on the Government payroll and is not working at that job, but instead is going to school and still drawing his salary? Is it true that Martin Dies' wife draws a salary of \$3900 per annum, plus overtime, and not on the job? Is it true that Martin Dies himself draws his salary of \$10,000 per annum and has not been in Washington (where he is supposed to be) since last March? If the allegations are true, it is a disgrace to the American people and a slap in the face to the taxpayers. When our boys are offering and giving up their lives at \$50 per month, yet a Senator's son draws \$200 per month to go to school and in no danger at all. Just what does the taxpayer get for the \$16,300 per year paid to the Dies family? From where I sit - - - NOTHING. You, as Secretary of the Treasury, should certainly be able to do something about this robbing situation, now that you know of its existence. Wishing you the best of luck in correcting this robbery of the Government -- if it really does exist.

.....
 Anonymous - Boston, Massachusetts. My dear Mr. Secretary, it is most reliably reported here in Boston that the grand old man of Secret Service in New England has been asked to resign or retire - a forced retirement. We have watched this man and his Agents take many Presidents through these states. They truly have been a credit to you and the nation. The successor, we understand, is to be a man with 6 or 7 years' experience. Do you know, Mr. Secretary, that there are at least 8 other Agents here in New England with experience from 10 to 28 years with this Bureau? One is a

- 2 -

Major in the Army, another a Captain, a third a Lieutenant in the Navy - the others are still with the grand old man. We fully realize that these are trying times, and that youth must come to the front, but is it only a coincidence that the new man's father is Postmaster of Boston, and that his uncle was a former secretary to Senator Walsh? We are given to understand that he was a sub-letter carrier when he was appointed to your Department. You once stated that no deferments would be requested for employees of your Department, but it is a matter of record that one was requested for this man. Frankly, Mr. Secretary, some veteran newspaper men here in Boston are a bit bewildered but then possibly it is not in our line. * * *

Franklin L. Betts, Hampton, Virginia. Some time ago it was my pleasure to hear you speak from "Monticello" in Charlottesville, over the CBS network, when you engaged in impromptu discussions with the various folk present. * * * I was deeply impressed with the genuine sincere tone of your voice, and was convinced that you are a man of straightforward, Godly principles. Therefore, this letter to you, personally, is intended to be one of the most sincere and profound utterances to which I have ever affixed my signature. A check for \$37.50 has just been received by me from the Federal Reserve Bank of Richmond, Virginia, covering redemption value of my last two War Bonds at \$18.75 each. This drastic measure was taken unwillingly and with extreme reluctance, but was necessitated by the pressure of present day expenses. * * * All of these things, and more, must be done on an income of about \$2,260 per annum, less 5% deduction for retirement, less income tax deduction, and less payroll reservation for purchase of War Bonds. Do you see how I do it? * * * Now the point of writing all this is to ask you, most respectfully, how you think it makes me as well as other poor, struggling, working

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people feel, to hear Walter Winchell announce that a dead-beat like Senator Martin Dies is gouging a net \$16,000 per annum from the United States Treasury - for doing what? Besides he is notoriously absent from Washington. Then to make a bad matter worse, his wife and son, who don't even pretend to reside in Washington, collect \$3,900 and \$2,400 respectively, plus 15% for overtime, for merely being related to Dies. * * * If all the War Bond money goes to buy stuff to enable our boys to ride the Victory-Wagon into Berlin and Tokyo, all right, but if part of the money is being misappropriated in line with the above accusation by Walter Winchell, and similar stuff, then I'll cut off my bi-monthly payroll deduction, and spend it on our house, as I am sure we need the benefits of the money worse than the like of meddling windbags like Martin Dies. * * *

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Unfavorable Comments on Bonds

H. S. Schneider, Tennessee Valley Finance Company, Florence, Alabama. Some time ago we advertised locally that we would keep in our safe United States War Bonds for anyone without charge or obligation. Since then we have been informed that it is against some rule or law for bonds to be in our possession. Some banks are advertising that they will keep bonds for a small charge. Please give us your opinion as to whether or not we can render this service to the public without charge and remain within the law.

B. R. Feldser, Bloomsburg, Pennsylvania. My daughter went to the bank to cash in an \$18.75 Bond dated December 1943. She gave the bond to them, and the bank had her sign a note for 10 days, charging her 75¢ for the 10 days, and an additional 50¢ for cashing the bond. It cost her \$1.25 to have the bond cashed. They told her the note was for them to hold until they get the money for the bond. I would like to know if a bank is allowed to charge 75¢ interest for 10 days, besides the 50¢ for cashing the bond.

Commander Nathan S. Haines, USN, c/o Fleet Post Office, San Francisco, California -- returning bond redemption slip. * * * Like so many other fighting men in the service of our country, I initiated an allotment to cover regular monthly purchases of War Bonds. By this method I intended to help and also reap the benefits mentioned in the third paragraph of your message. I discovered the other day that I have been fooled on these issues, so to speak. I desired to change the beneficiary on my bonds, because of personal reasons. The former beneficiaries were minors who could not waive rights to the bonds, and neither could any adult act in their stead. At least I was so informed at the Federal Reserve Bank. It therefore

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became necessary for me to cash in all the bonds, thereby losing all accrued benefits and denying the Government the use of the money. Also, I received the feeling that someone who shouldn't, had put something over on me. At the times I have made purchases of bonds, I quite naturally have not been informed of these unfair restrictions. * * * It is considered good, sound sense for one to specifically assign his property in a properly drawn up will in order to avoid the pitfalls of a Probate Court. If it is the desire of the Treasury Department to help a man provide a nest egg for the future or a legacy for his dependents by the regular purchase of War Bonds, why can't he be accorded the reasonable privilege of changing his bequests as time and circumstances dictate?

Senator E. C. Johnson, (Colorado). An editorial entitled, "Lending by Banks on War Savings Bonds - Why Not?", appearing in the August 24th issue of THE AMERICAN BANKER seems to me to make sense. Under the present system a bondholder is able to cash a bond more easily than he can borrow on it. By the removal of the present prohibition against the use of the bonds as collateral, bondholders would be encouraged to borrow on them, thus avoiding a greater volume of redemption prior to maturity than would otherwise occur. * * * The banks have given liberally of their time and effort to sell a maximum volume of the bonds in the interest of sound economy, and I feel sure they can be relied upon to exert their influence to keep the bonds in the hands of the purchasers if provided with necessary authority.

THE WHITE HOUSE
WASHINGTON

September 15, 1944.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY:

Will you talk with the Secretary
of State or Stettinius and the Secretary of
War about this?

F.D.R.

September 13, 1944

My dear Mr. President:

I have your letter of September 9 relative to our lend lease policy after the collapse of Germany and will be governed by your instructions.

As you know, under direction from you we have been engaged since May 24 in negotiations with the Soviet Government over a contract by which they would accept and pay for on credit terms certain items included in the proposed Fourth Protocol. Similar discussions with French authorities were authorized by you in July and were mentioned in the recent exchange of memoranda with the French. These discussions are awaiting further instruction from you.

In your absence, inquiry has been made as to whether these discussions, particularly those with the Soviet representatives now in progress, should be interrupted.

Mr. Hopkins

The President,
The White House.

- 2 -

Mr. Hopkins has informed the Department that unless and until you inform us to the contrary we should continue these negotiations and that your letter of September 9 did not intend otherwise.

Faithfully yours,

JOSEPH HULL

THE WHITE HOUSE
WASHINGTON

September 15, 1944.

MEMORANDUM FOR THE PRESIDENT:

In regard to proposal for Lend Lease
to France, my recommendation is that for the
time being we postpone taking any action.

W.H.
1944
E.M. Jr.

APPROVED:

Sent to Secy at Quebec by White House

*Mine today
ACW3*

STATUS OF FRENCH LEND LEASE NEGOTIATIONS ON SEPTEMBER 14.

1. The French have been told that the basic question of the scope and time limit of the Lend-Lease Agreement has been placed before the President for decision.

2. The State Department and FEA have agreed on a draft (6th draft, dated September 11) of a lend lease agreement which permits

(a) Long life industrial reconstruction goods to go to the French under long term credits (Section 3C of the Lend Lease Act). This provision permits requisitions to be accepted by FEA until at least the end of the war with Japan and provides that the requisitions once accepted would be filled regardless of the end of the war with Japan. This would obviously enable a large scale program of reconstruction for France. (Monnet has a program ready of \$2 billion for which he proposes to have requisitions placed immediately.)

(b) The agreement permits giving the French on a straight Lend Lease basis, short-lived industrial goods and materials purportedly for French war production until at least the end of the war with Japan.

3. Secretary Hull has sent a memorandum to the President through Harry Hopkins pointing out

(a) This draft lend lease agreement goes beyond the July 15 memorandum which the President approved.

(b) This memorandum proposes that the possibility of excessive leniency in the administration be controlled by requiring FEA to submit to someone in the White House all programs and proposals for lend lease assistance before requisitions are accepted by FEA.

This memorandum to the President is now before the President at Quebec for his approval. State Department has not given us a copy of this memorandum although the State Department promised to clear this memorandum with us before it went to the President.

4. As you know the original memorandum which went to the President during the French negotiations on July 15 was designed to limit lend lease to France to the end of hostilities in Europe. Mr. McCloy and General Hildring of the War Department have definitely stated that French industrial production will be of no help in fighting the war in Europe and that the help which a reconstructed French industry will give to us in fighting the war with Japan can be "put in your right eye".

The importance of the phrase which will limit the scope of the program to the end of the war is that the immediate set of regulations for aid will be much greater in volume under the prospect of a long war against Japan than it would be under the certainty of a short war in Europe.

5. The argument used to justify broadening the scope of the Lend Lease agreement is that we should give the fullest discretion possible to the President. This argument has no basis in fact. The President already has all the discretion he needs under the Lend Lease Act. If after the war in Europe comes to an end, the President feels that France is making a contribution to the war in the Pacific or should for other reasons be entitled to reconstruction under Lend Lease, he can enter into a new agreement at that time. The only additional "discretion" gained by signing the agreement, as recommended by State and PEA, and immediately making large supply commitments thereunder, is to present Congress and the public with a fait accompli when the war in Europe is over. If the Congress should act off Lend Lease following the end of hostilities in Europe, any attempt to rely on large regulations placed under a previously existing agreement with the French (having no relation to the war in Europe) as permitting the reconstruction of France would be politically impossible and highly undesirable.

6. As we see it, the broadened scope of the memorandum will have the following effects:

(a) Since the French have already been presented with a memorandum limiting the scope of lend lease to hostilities in Europe, the change to permit lend lease at least until the end of the war with Japan will obviously lead the French to believe that the President has agreed to a reconstruction program for France. This is particularly true in the light of informal commitments which have been made to the French by various people in

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FEA and State to this effect. It follows that this will be construed by the French as being a major political victory arising from their strategy of playing one department of the United States Government against another on financial questions.

(b) Although the program being presented to the President provides for approval by the White House of the implementation of this agreement, it is obvious that the White House is not and should not be placed in a position to police detailed supply programs. The door will be wide open for reconstructing France under the Lend Lease Act without understandings as to the role of France in the future of Europe and of the world, and particularly of French participation in the war against Japan.

7. In conclusion, quite contrary to the avowed purpose of the proposal to give discretion to the President, its practical effect will be to tie his hands with respect to our dealings with the French at the termination of the war in Europe much more than would otherwise be the case.

THE WHITE HOUSE
WASHINGTON

September 14, 1944.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY:

Will you handle this with Harry
Hopkins and Cordell Hull?

F.D.R.

P.S. Please return original to us.

THE WHITE HOUSE
WASHINGTON

Mr. President: Sept 12-44

I think this is
O.K. - it gives the final
decision to you and in the
present situation, that I
think is essential.

If you will initiate
this the matter will be handled
that way.

Harry

DEPARTMENT OF STATE
WASHINGTON

September 11, 1944

Memorandum for the President
French Lend Lease Agreement

We need instruction from you on one important phase of this proposed agreement; i.e., how to deal with Monnet's request, which I understand he mentioned to you, for industrial items to get French production going again for the maintenance of the civil population.

We have been working under the memorandum of July 15, 1944, which you approved. This provides that

- (a) The French get under straight lend lease what you approve as necessary military aid for their forces and for short-life supplies for war production. When you determine the aid to be no longer necessary, they will accept and pay for on credit terms the undelivered, non-munitions items you have authorized.
- (b) They pay currently in cash for food, clothing, and other items consumed by the civil population.

(c) /Here

- (c) [Here is the trouble.] Long-life industrial articles and other industrial articles would be furnished to them on credit only if necessary to the prosecution of the war in Europe or to the maintenance of Allied forces in the period immediately following an armistice in Europe.

Viewed as of the present date and position of the war, the memorandum of July 15th means, in effect, a rejection of Monnet's program and would require the French to pay cash currently for all items not required as necessary military aid. I do not think you intended, nor would I recommend, so flat a position. On the other hand, you would not wish to approve at this stage the French program, amounting as it does to something over a billion dollars of industrial items to be paid for on credit terms. I do not think that there is any formula which describes what you may wish to approve and what you may not wish to approve. What seems to me necessary is to leave in your hands complete discretion to do what you may think necessary from time to time in the light of French behavior.

Therefore, I recommend that you authorize us to provide that such long-life articles and such other

articles

articles as may be included from time to time in a list to be attached to the agreement, and which are contracted for or purchased before you determine that aid under the Act is no longer necessary for the prosecution of the war, we shall deliver (subject to your right of cancellation in the national interest) and the French shall accept and pay for on credit terms. I recommend also that you instruct the Foreign Economic Administration to submit to you proposed French programs under this provision before they are included in the list. Such a disposition of the matter will give authority to go ahead, with flexible control in your hands to do as much or as little as you determine to be desirable at any time.

The Foreign Economic Administration agrees with this proposal.

CH

25

September 15, 1944.**Dear General Vessen:**

The Secretary is away from Washington for a few days, and I am therefore acknowledging your memorandum of September 11, which transmitted his personal copy of the report on the Status of the Soviet Aid Program as of July 31, 1944. I shall bring this material to Mr. Morgenthau's attention immediately upon his return to the office, and I know he will appreciate your sending this current information to him.

Sincerely yours,

(Signed) H. S. Klotz

**H. S. Klotz,
Private Secretary.**

**Major General G. M. Vessen,
Director, Division for Soviet Supply,
Foreign Economic Administration,
Washington 25, D. C.**

FOREIGN ECONOMIC ADMINISTRATION

WASHINGTON 25, D. C.

September 11, 1944

MEMORANDUM

To: The Honorable Henry Morgenthau

From: Maj. Gen. C. M. Wesson *Cmw*
Director, Division for Soviet Supply

Subject: Status of the Soviet Aid Program

Attached hereto is your personal copy of the report on the Status of the Soviet Aid Program as of July 31, 1944. This report summarizes operations in the month of July and in the entire period from October 1, 1941 to date. More detailed information will be given in the August report.

SECRET
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STATUS OF THE SOVIET AID PROGRAM
AS OF JULY 31, 1944

Prepared for the President's Soviet Protocol Committee
by the Foreign Economic Administration
September 8, 1944

SECRET
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STATUS OF THE SOVIET AID PROGRAM
AS OF JULY 31, 1944

Prepared for the President's Soviet Protocol Committee
by the Foreign Economic Administration
September 8, 1944

STATUS OF THE SOVIET AID PROGRAM PERFORMANCE DURING JULY

Proposals for a Fourth Soviet Protocol for the period July 1, 1944 to June 30, 1945 have been submitted to the Soviet Government. Until such time as negotiations are concluded, aid to the Soviet Union continues within the framework of Fourth Protocol proposals.

Shipments to the U.S.S.R. from the United States and Canadian ports during July totaled 624,500 long tons. This was 200,400 long tons, or 47 percent, in excess of Protocol proposals and was the second largest quantity shipped in any month since the beginning of the program in 1941.

Cargo shipped during July is summarized as follows:

	Long Tons	Percent
U. S. SUPPLIES		
Trucks and Other Vehicles	57,300	9
R.R. Transportation Equipment	58,200	9
Metals	120,700	19
Chemicals and Explosives	51,800	8
Petroleum Products *	63,000	10
Machinery and Equipment	77,900	13
Food	134,400	22
Other U. S.	32,600	5
U. S. TOTAL	595,900	95
BRITISH AND CANADIAN SUPPLIES	28,600	5
TOTAL	624,500	100

* Does not include clearance through the Persian Corridor of 23,000 long tons of petroleum products supplied by the U.K. at Abadan and replaced to U.K. areas by the U.S.

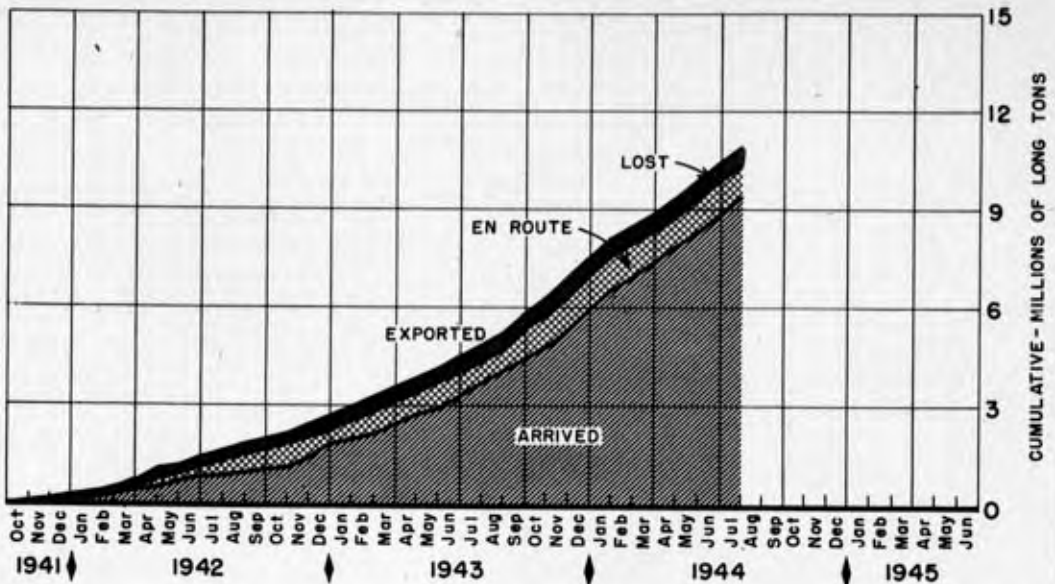
During July, 346 aircraft departed from North America for the U.S.S.R.; 289 were flown by Soviet pilots from Fairbanks, Alaska, one was flown via Africa, and 56 were shipped by water to the Persian Gulf. Of the total number which left North America in July, 116 were planes delivered from U.S. factories in fulfillment of U.K. obligations under the Third Protocol.

Details of aid furnished during July will be included in the regular report prepared as of August 31, 1944.

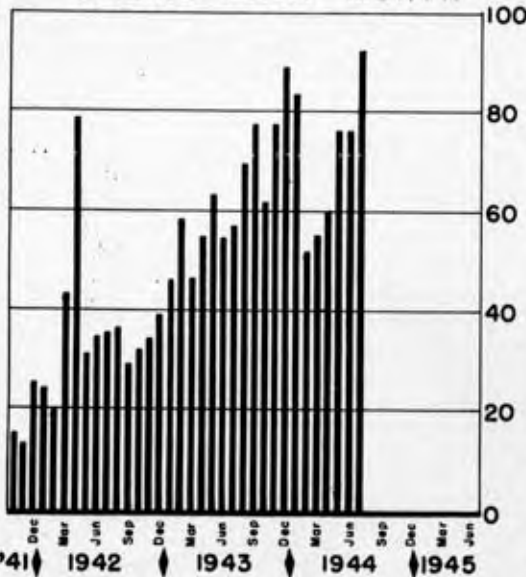
**Foreign Economic Administration
September 8, 1944**

SHIPMENTS TO U.S.S.R.

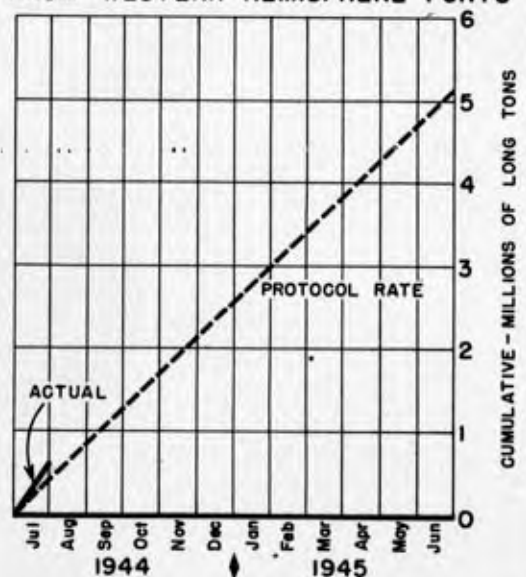
SHIPMENTS, ARRIVALS AND LOSSES



NUMBER OF SHIPS SAILING EACH MONTH



FOURTH PROTOCOL CLEARANCES FROM WESTERN HEMISPHERE PORTS



ACTUAL SHIPMENTS VS PROTOCOL SHIPPING OBJECTIVE

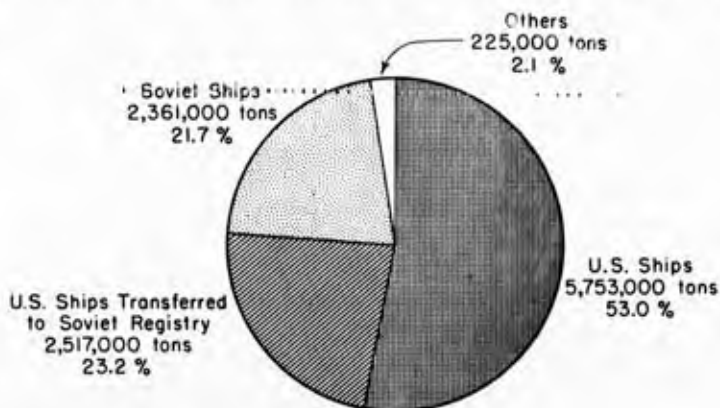
FOURTH PROTOCOL - CUMULATIVE

	ATLANTIC ROUTE			PACIFIC ROUTE			TOTAL SHIPMENTS		
	Actual Shipments	Protocol Objective	Actual in % of Objective	Actual Shipments	Protocol Objective	Actual in % of Objective	Actual Shipments	Protocol Objective	Actual in % of Objective
JUL 1944	283,153	223,215	126.9%	341,330	200,893	169.9%	624,483	424,108	147.2%
AUG		446,429			401,786			848,215	
SEP		669,643			602,679			1,272,322	
OCT		892,857			803,572			1,696,429	
NOV		1,116,071			1,004,465			2,120,536	
DEC		1,339,286			1,205,357			2,544,643	
JAN 1945		1,562,500			1,406,250			2,968,750	
FEB		1,785,714			1,607,143			3,392,857	
MAR		2,008,928			1,808,036			3,816,964	
APR		2,232,142			2,008,929			4,241,071	
MAY		2,455,356			2,209,822			4,665,178	
JUN		2,678,571			2,410,714			5,089,285	

Data on actual shipments and protocol objective are in long tons

DISTRIBUTION OF TONNAGE BY SHIP REGISTRY

TONNAGE SHIPPED FROM OCTOBER 1, 1941 TO JULY 31, 1944



DATA ARE IN GROSS LONG TONS

STATEMENT OF VESSELS SAILED TO U.S.S.R.
As of July 31, 1944

Date of Sailing	Number of Vessels Sailing					Arrived	En Route as of July 31	Cargo Disch. in U.K.	Lost	Losses by Month
	For North Russia	For Persian Gulf	For Soviet Arctic	For Soviet Far East	Total					
1941 Oct	10	-	-	5	15	14	-	-	1	-
Nov	9	1	-	3	13	12	-	-	1	-
Dec	14	7	-	4	25	22	-	-	3	1
1942 Jan	20	-	-	4	24	19	-	1	4	3
Feb	13	2	-	4	19	16	-	-	3	1
Mar	31	6	-	6	43	32	-	4	7	9
Apr	62	6	-	10	78	46	-	13	19	-
May	14	10	-	7	31	21	-	4	6	6
Jun	8	11	6	9	34	27	-	-	7	6
Jul	2	5	16	12	35	34	-	-	1	16
Aug	11	5	1	19	36	33	-	-	3	1
Sep	4	8	-	17	29	29	-	-	-	10
Oct	-	13	-	19	32	32	-	-	-	-
Nov	-	8	-	26	34	32	-	-	2	3
Dec	4	11	-	24	39	38	-	1	-	-
1943 Jan	12	12	-	22	46	38	-	8	-	-
Feb	23*	7	-	28	58	36	-	20	2	1
Mar	1	19	-	26	46	44	-	1	1	2
Apr	-	18	-	37	55	54	-	-	1	1
May	-	15	4	44	63	62	-	-	1	-
Jun	-	4	5	45	54	54	-	-	-	2
Jul	-	17	16	24	57	57	-	-	-	-
Aug	-	24	7	38	69	67	-	-	2	2
Sep	-	27	-	50	77	77	-	-	-	-
Oct	10	25	-	27	62	61	-	-	1	-
Nov	20*	25	-	32	77	76	-	-	1	1
Dec	29*	21	-	39	89	87	-	-	2	-
1944 Jan	30	26	-	27	83	82	-	-	1	3
Feb	17**	16	-	19	52	51	-	-	1	1
Mar	16	21	-	18	55	53	-	-	2	1
Apr	-	35	-	25	60	59	-	-	1	3
May	-	36	-	40	76	75	1	-	-	-
Jun	-	24	9	43	76	59	17	-	-	-
Jul	20	17	15	40	92	17	75	-	-	-
Aug										
Sep										
Oct										
Nov										
Dec										
Total Oct. 1941 to July 31, 1944	380	482	79	793	1,734	1,516	93	52	73	73

* Includes one tanker from U.K. for U.S. Protocol Account.

** Includes two tankers from U.K. for U.S. Protocol Account.

Of the 1,734 sailings from October 1, 1941 to July 31, 1944, 817 were made by American vessels, 561 by Soviet vessels, 329 by American vessels transferred to Soviet registry, 26 by British vessels and 1 by a Swedish vessel. In addition to the 1,734 sailings, there were 110 ships that loaded partial cargoes in the U.S. for the U.S.S.R. In addition to the 73 ships shown above as lost, several ships have been sunk on their return voyages.

STATEMENT OF CARGO SHIPPED TO U.S.S.R.
As of July 31, 1944
(Thousand of Gross Long Tons)

	For North Russia	For Persian Gulf		For Soviet Arctic	For Soviet Far East		Total	Arrived	En Route as of July 31	Disch. or on Hand in U.K.	Lost	Losses by Month
		Full Cargoes	Partial Cargoes		Full Cargoes	Partial Cargoes						
1941 Oct	48	-	-	-	17	-	65	62	-	-	3	-
Nov	41	3	-	-	14	-	58	55	-	-	3	-
Dec	50	10	-	-	11	-	71	63	-	-	8	3
1942 Jan	63	-	-	-	26	-	89	72	-	1	16	9
Feb	66	4	1	-	20	-	91	76	-	-	15	5
Mar	171	17	1	-	25	-	214	163	-	5	46	42
Apr	376	21	-	-	38	-	435	267	-	40	128	-
May	92	79	8	-	33	-	212	141	-	19	52	38
Jun	55	84	7	18	31	-	195	139	-	-	56	55
Jul	13	39	25	46	59	1	183	174	-	-	9	114
Aug	69	40	25	2	83	-	219	197	-	-	22	7
Sep	28	63	9	-	79	-	179	179	-	-	-	65
Oct	-	109	12	-	108	-	229	229	-	-	-	2
Nov	-	66	5	-	106	1	178	165	-	-	13	17
Dec	29	83	9	-	123	-	244	237	-	7	-	2
1943 Jan	73	83	4	-	98	-	258	210	-	48	-	2
Feb	173	40	-	-	129	-	342	178	-	150	14	8
Mar	9	131	-	-	123	-	263	246	-	9	8	16
Apr	-	138	5	-	194	-	337	330	-	-	7	7
May	-	112	9	13	216	-	350	343	-	-	7	-
Jun	-	25	4	16	229	1	275	275	-	-	-	15
Jul	-	116	10	58	152	-	336	336	-	-	-	-
Aug	-	173	4	32	261	-	470	456	-	-	14	14
Sep	-	194	4	-	313	-	511	511	-	-	-	-
Oct	66	187	6	-	181	-	440	431	-	-	9	-
Nov	145	194	1	-	229	-	569	561	-	-	8	9
Dec	214	167	-	-	262	-	643	629	-	-	14	-
1944 Jan	222	202	-	-	176	-	600	597	-	-	3	22
Feb	127	114	-	-	100	-	341	333	-	-	8	3
Mar	110	152	-	-	91	-	353	339	-	-	14	8
Apr	-	275	-	-	134	-	409	405	-	-	4	18
May	-	287	-	-	264	-	551	539	12	-	-	-
Jun	-	187	-	28	307	-	522	392	130	-	-	-
Jul	156	127	-	65	276	-	624	111	513	-	-	-
Aug												
Sep												
Oct												
Nov												
Dec												
Total Oct. 1941 to July 31, 1944	2,396	3,522	149	278	4,508	3	10,856	9,441	655	279	481	481

NOTE: In addition to the above, the U.S. has aided in the movement through the Persian Corridor of petroleum products originating at British refineries in Abadan, reported to total 177,000 long tons, of which 23,000 long tons were reported shipped in July, 1944. These shipments were for U.S. Protocol account.

AIRCRAFT DELIVERIES TO U.S.S.R.

October 1, 1941 to July 31, 1944

Protocol requirements are filled upon delivery of aircraft from factories.

Departure points from North America are: U.S. ports for water shipments, Fairbanks for flight-deliveries via the Alaskan-Siberian Ferry Route, and Miami, Florida or adjacent fields for flight-deliveries via the South Atlantic. Planes shipped by water to North Russia are considered delivered upon arrival at Wurmansk or Archangel. Planes shipped by water to the Persian Gulf are assembled at Abadan and with planes arriving there over the South Atlantic Ferry Route are delivered at Abadan to U.S.S.R. pilots. Alaskan-Siberian Ferry Route planes are delivered to Soviet pilots at Fairbanks.

With the exception of 59 P-40 fighters shipped from U.S. ports in September, 1941 and arrived in North Russia in November and December 1941, this schedule includes all aircraft departed from the U.S. for direct delivery to the U.S.S.R. Aircraft shipped from the U.S. intended for use in the United Kingdom but retransferred from the United Kingdom to the U.S.S.R. are not included.

	Delivered at Factories	In North America July 31, 1944		Lost in North America		Departed North America	Lost After Departure	Diverted to Others	En Route N. A. to Destination 7/31/44	Arrived at Destination	Delivered to U.S.S.R. at Destination
		In U.S.	In Canada and Alaska	In U.S.	In Canada and Alaska						
BY ROUTES											
Alaskan-Siberian Ferry Route	4,992	192	96(85)*	63	45	4,596	0	0	0	4,596	4,596
South-Atlantic Ferry Route to Abadan	1,055	2	0	17	0	1,036	43	1	1	991	986
Water to North Russia	1,483	0	0	0	0	1,483	310	1	3	1,169	1,169
Water to Persian Gulf Assembly at Abadan	4,093	0	0	1	0	4,092	236	0	151	3,705	(14)** 3,557
Total	11,623	(b) 194	96(85)*	81	45	11,207	589	2	155	10,461	(14)** 10,308
BY TYPE OF PLANE											
Pursuit Planes											
P-40 Alsib	50	0	0	0	2	48	0	0	0	48	48
P-40 North Russia, Water	1,149	0	0	0	0	1,149	248	1	0	900	1,000
P-40 Persian Gulf, Water	872	0	0	0	0	872	54	0	50	768	(3)** 1,008
P-40 Persian Gulf, Water - U.K. Account	300	0	0	0	0	300	0	0	0	300	
P-39 Alsib	998	43	30 (22)**	9	13	903	0	0	0	903	903
P-39 Alsib - U.K. Account	1,637	0	3 (3)*	28	17	1,589	0	0	0	1,589	1,589
P-39 Alsib - Reimbursement Account	30	0	0	0	3	27	0	0	0	27	27
P-39 North Russia, Water	57	0	0	0	0	57	7	0	0	50	50
P-39 North Russia, Water - U.K. Account	35	0	0	0	0	35	5	0	0	30	30
P-39 North Russia, Water - Reim. Account	28	0	0	0	0	28	0	0	0	28	28
P-39 Persian Gulf, Water	1,051	0	0	0	0	1,051	38	0	0	1,013	(1)**
P-39 Persian Gulf, Water - U.K. Account	893	0	0	0	0	893	53	0	0	840	(1)** 1,901
P-39 Persian Gulf, Water-Reim. Account	121	0	0	0	0	121	0	0	0	121	(1)**
P-47 Alsib	3	0	0	0	0	3	0	0	0	3	3
P-47 North Russia, Water	3	0	0	0	0	3	0	0	0	3	3
P-47 Persian Gulf, Water	197	0	0	1	0	196	12	0	101	83	78
P-63 North Russia, Water	3	0	0	0	0	3	0	0	0	3	3
P-63 Alsib - U.K. Account	85	16	41 (40)**	2	0	26	0	0	0	26	26
P-63 Alsib	164	127	17 (17)*	0	0	20	0	0	0	20	20
Total Pursuit Planes	7,676	186	91 (82)*	40	35	7,324	417	1	151	6,755	(6)** 6,617
Light Bombers											
A-20 Alsib	1,297	0	1 (1)*	22	9	1,265	0	0	0	1,265	1,265
A-20 South Atlantic	927	2	0	17	0	908	39	1	1	867	862
A-20 North Russia, Water	165	0	0	0	0	165	39	0	0	126	126
A-20 Persian Gulf, Water	637	0	0	0	0	637	79	0	0	558	(7)** 550
Total Light Bombers	3,026	2	1 (1)*	39	9	2,975	157	1	1	2,816	(7)** 2,803
Medium Bombers											
B-25 Alsib	387	0	0	0	1	386	0	0	0	386	386
B-25 South Atlantic	128	0	0	0	0	128	4	0	0	124	124
B-25 North Russia, Water	5	0	0	0	0	5	0	0	0	5	5
Total Medium Bombers	520	0	0	0	1	519	4	0	0	515	515
Heavy Bombers											
B-24 Alsib	1 (a)	0	0	0	0	1	0	0	0	1	1
Cargo Planes											
C-47 Alsib	340	6	4 (2)*	2	0	328	0	0	0	328	328
Observation Planes											
O-52 North Russia, Water	30	0	0	0	0	30	11	0	0	19	19
Advanced Trainers											
AT-6-C North Russia, Water	8	0	0	0	0	8	0	0	3	5	5
AT-6-C Persian Gulf, Water	22	0	0	0	0	22	0	0	0	22	(1)** 20
Total Advanced Trainers	30	0	0	0	0	30	0	0	3	27	(1)** 25
Patrol Bombers											
PBN Patrol Bombers	48	0	0	0	0	48	0	0	48	-	-

* At Fairbanks

** Water shipments received at Abadan washed out before delivery to U.S.S.R. pilots.

(a) One heavy bomber carrying a U.S. Mission became stranded in Siberia and was transferred to the Soviet Government

(b) Does not include 48 PBN Patrol Bombers made available by the Navy and flown from the U.S. by Soviet Crews. Route unknown

GEK-241
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (RESTRICTED)

Quito
Dated September 15, 1944
Rec'd 1:39 p.m.

Secretary of State,

Washington.

908, September 15, 10 a.m.

Ecuadoran Government has indicated it would be
able to accept approximately 300 children (reference
Department's telegram No. 680 and Embassy's despatch
No. 2053 of August 10 and August 29, respectively). Text
of communication received from the Foreign Office is
being sent by airmail pouch.

SCOTTEN

LMS

BAS-445
Distribution of true
reading only by special
arrangement. (SECRET W)

Caserta

Dated September 15, 1944

Rec'd 11:27 p.m.

Secretary of State

Washington.

404, September 15, 7 p.m.

FOR WAR REFUGEE BOARD FROM ACKERMANN.

Transportation mentioned Ackermann No. 108 has been secured but address of mission Istanbul not yet received although Embassy Ankara should know. Since there is now a means of transport between Turkey and Rumania JDC may wish to send a representative by this means rather than arrange for aid as suggested your 47 of September 12.

KIRK

CSB

CABLE TO AMEMBASSY, ASUNCION, PARAGUAY

Reference is made to your 503 of September 5. Please convey Department's and Board's appreciation to Paraguayan officials.

With regard to their suggestion reported in your cable, you may advise them that in view of liberation of France, no (repeat no) shipment of French children to Paraguay is expected.

9:00 a.m.
September 15, 1944

BAkzin/sg 9/12/44

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

September 15, 1944

7 p.m.

War Refugee Board

AMEMBASSY,

ASUNCION (PARAGUAY)

297

The following from War Refugee Board.

Reference is made to your 503 of September 5. Please convey Board's appreciation to Paraguayan officials.

With regard to their suggestion reported in your cable, you may advise them that in view of liberation of France, no (repeat no) shipment of French children to Paraguay is expected.

HULL
(MMV)

WRB:MMV:OMH
9/15/44

RPA

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

September 15, 1944

6 p.m.

War Refugee Board

AMLEGATION,

STOCKHOLM

1841

The following for Olsen is WRB 80.

1. WRB understands that Adler Rudel proceeds shortly from England to Sweden on behalf of Jewish Agency for Palestine in connection with rescue projects for Hungarian Jews. You may extend to him all appropriate assistance.

2. Reference your 3199 of August 19, your 754 to WRB. In view of military situation and personal considerations indicated by you to Pehle under date of August 10, it is the considered judgment here that at appropriate time you should dispose of vessels rather than continue them in present status. Disposition to groups who would undertake sea-borne evacuation from Norway would be entirely acceptable here. The Board would appreciate more detailed information concerning Baltic evacuees and particularly a break-down into the various categories in which such refugees fall, such as Allied sympathizers and Jews. We assume that you are continuing to take every precaution to see to it that your Baltic operations do not (repeat not) benefit persons other than victims of enemy persecution.

HULL
(GLW)

WRB:MMV:KG
9/1/44

NOE

EE

SWP

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN LEGATION, STOCKHOLM
 TO: Secretary of State, Washington
 DATED: September 15, 1944
 NUMBER: 3681

Application has been made by Polish Legation and Polish Red Cross for JSC permission to ship urgently to Poland 11 tons shoes and clothing, 275 tons foodstuffs, about 5 tons of medical supplies and vitamin preparations, all of which are of Swedish origin, except 15 tons of sugar from Denmark. Also included is clothing originating in Czechoslovakia which has been collected for relief purposes over a long period of time. As import was non-commercial, however, this export is not viewed by the Legation as jeopardizing the general policy against re-export of items imported from enemy territory. They wish to send the entire shipment to the concentration camp recently established at Pruszkow, near Warsaw, where it is asserted 200,000 civilians have been interned in conditions of extreme hardship since fighting began near there.

This message is repeated in my 1086 to London.

It is the belief of the Poles that the shipment will not fall into enemy hands and that the International Red Cross, acting in collaboration with the Swedish and German Red Cross, could be relied on to deliver the goods to those for whom it is intended. Favorable results have been achieved so far with the shipment of parcels to destitute Poles through these channels, they claim. It is their contention that in view of the political issues involved and the particular hardships suddenly imposed on the population in the Warsaw district, the projected shipment presents a special case.

Approval has been given by the Swedish and British members of the JSC.

This shipment is subject to our agreement in principle. We are inclined to express concurrence and urgent instructions from FEA and Department would be appreciated. It is the Poles opinion that the opportunity to make this shipment may soon disappear and although the Legation has made it clear that it can give no assurance that approval will be granted, they are on their own responsibility already beginning to assemble the supplies in Sweden.

WITH THE assistance

With the assistance of the Swedes the Poles hope that land transport, probably in separate lots, in different rail cars via Berlin can be arranged. Value of total shipment is about 500,000 Swedish crowns and Swedish Red Cross, Swedish Government, and other relief organizations will pay for it.

A reply is respectfully requested on or before the 20th in view of the extreme urgency of this matter.

JOHNSON

DCR:cr
12-2-44

Miss Chauncey (for the Sec'y) Abrahamson, Alcermann, Aksin, Cohn, Drury, DuBois, Friedman, Gaston, Hodel, Marks, Mannon, McCormack, Pehle, Files.

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATE: September 15, 1944
NUMBER: 3194

CONFIDENTIAL

Cable to McClelland.

Sternbuch is reported to endeavor to bring 5000 children from Hungary to Switzerland. German authorities allegedly ready to permit departure under Intercross auspices, and Sternbuch doubtful whether Swiss government has received sufficient guarantees regarding subsequent evacuation of said children to countries other than Palestine.

It is expected that such guarantees have been offered to Swiss government pursuant to Department's 891 of March 18, 2236 of July 3, and 2877 of August 21, as well as pursuant to information regarding agreement by Ireland and Honduras (Department's 2978 of August 29), Nicaragua (Department's 3120 of Sept. 9, WRB's 158), Portugal, Venezuela, Brazil, Uruguay, (Department's 3180 of Sept. 14, WRB's 164) and Cuba (Department's A-1412 of August 14), to admit children from Hungary.

In addition, the assurances contained in paragraph three of Department's 2605 of July 28 fully apply, of course, to children from Hungary.

You may inform Sternbuch of the existence of these guarantees and assist him in any promising program of evacuating children from Hungary to Switzerland.

THIS IS WRB CABLE TO BERN NO. 171.

HULL

CABLE TO MINISTER HARRISON FOR MCCLELLAND, BERN, SWITZERLAND

The following extract of a letter from Berle to Pehle, dated September 11, 1944, is transmitted for your information, with reference to WRB 164, Department's 3180 of September 14.

QUOTE You invited my attention to reports indicating the desirability of presenting to the Germans as soon as possible lists of individuals bearing Latin American passports who are eligible to be exchanged for German nationals.

I agree with your suggestion and am glad to inform you that steps looking toward such action were taken some time ago when the Department drafted instructions to the American Legation at Bern asking that the Swiss draw up lists of persons entitled to inclusion in the exchanges, broken down into various principal categories. With respect to the category into which the numerous bearers of Latin-American passports at Bergen-Belsen would normally fall, the telegrams suggest to the Legation that in as much as the identity of these individuals is probably unknown to the governments whose passports they may hold, it might be possible to compile the requested lists through the cooperation of Mr. McClelland and the various philanthropic organizations in Switzerland who are in possession of the required information. UNQUOTE

THIS IS WRB CABLE TO BERN NO. 173

2:30 p.m.
September 15, 1944

BAkzin:ar 9/14/44

CABLE TO MINISTER HARRISON AND MCCLELLAND IN BERN, SWITZERLAND

Re your 5859 of September 6. Amcross about to begin packing of remaining 285,000 three-kilo parcels. Individual parcels to contain one each of the following items: 16 oz. powdered milk, 16 oz. oleomargarine, 12 oz. meat, 8 oz. salmon or tuna, 8 oz. cheese, 7 oz. biscuits, 8 oz. sugar, 4 oz. chocolate, 2 oz. soap and package of cigarets.

Amcross desires instructions from Board with respect to receipt cards to be enclosed each parcel. If receipt cards such as were enclosed in each of original 15,000 parcels already shipped are unacceptable, ascertain from Intercross the substitute method by which actual receipt of parcels by beneficiaries shall be realized. Amcross also desires from Board specific instructions with respect to the markings on outer shipping carton. Six 3-kilo parcels will be enclosed in each outer shipping carton. Ascertain from Intercross if markings on original shipment acceptable or their substitute. Imperative that we have answer at once so as not to delay Amcross production.

THIS IS WRB CABLE TO BERN NO. 174

4:30 p.m.
September 15, 1944

PMcCormack/sg 9/15/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, Bern
 TO: Secretary of State, Washington
 DATED: September 15, 1944
 NUMBER: 6083

CONFIDENTIAL

This message is from McLelland for Ackermann, WRB.

Given below is a message which has been transmitted to Rome: (71, September 15, 8 a.m.)

From reports which have been received during the last few days from trustworthy sources in Bratislava, the situation of the remaining 18,000 to 20,000 Jews in Slovakia is becoming more and more precarious.

In a telegram received here the twelfth of September the statement is made that again on the eleventh of September Slovak officials began to deport Jews. Although we are awaiting additional data from a courier who is arriving the last of this week, as yet this news is unconfirmed. Indications which are reliable and confidential have come to me which show that responsibility for this renewed persecution of the Jews rests on the Slovak "Quisling" Government. The recent public statement of the Minister of the Interior of the Tiso Government to the effect that the Jews and Czechs were responsible for the extensive resistance movement, which a short time ago broke out in Slovakia, bears out the indications above. In both Czech circles here and Jewish circles in Bratislava, it is strongly felt that the influence of the Vatican could help alleviate this situation if energetically and quickly used. Will you please have a discussion with Mr. Taylor as to the possibility and advisability of such Vatican intervention. From reliable sources I am advised that the Slovak Minister and "home de finance" of Tiso, Carol Sidor, still is at the Vatican from which he hopes to secure protection after the war is over. It might be that this situation could be used to advantage. Information as to whether Mr. Taylor feels that a step in this direction might be effective and feasible would be appreciated.

The message above was repeated to WRB in Washington with the further request that serious consideration be given to the possibility of giving the Slovak Government a formal warning that they will be held responsible for last minute excesses against the Jewish people.

HARRISON

9-17-44
 DCR:EMS

BGC-352

PLAIN

Bern

Dated September 15, 1944

Rec'd 7:10 p.m.

Secretary of State,

Washington.

6087, fifteenth.

Milan CORRIERE DELLA SERA, thirteenth, reports
Nazi-Fascist authorities have ordered provincial adminis-
trations to requisition dwellings, particularly Jewish
dwellings, for assignment to refugees and to arrange with
religious communities for gratis lodgings for homeless
women.

HARRISON

MJF

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN LEGATION, BERN
TO: SECRETARY OF STATE, WASHINGTON
DATED: SEPTEMBER 15, 1944
NUMBER: 6092

CONFIDENTIAL

Reference is made herewith to Department's cable of August 23, No. 2900, WRB 129.

There follows a summary of the material portion of the Swiss note of September 13 which states that report from the Swiss Legation in Budapest indicates that it has followed the development of the situation of Budapest Jews in order various questions which the Department presented:

It is currently established that the Hungarian Government, under German pressure, has decided on transfer of Jewish residents of Budapest to Hungarian provinces^{and} that this is to occur in the immediate future.

After assembly Jews of both sexes from 14 to 70 years of age must be incorporated in the Hungarian labor service while persons above and below these age limits must be concentrated in provincial camps.

It seems that the Hungarian Government is to O.K. these measures to protect Jews against whom the German Government for its part, without consulting Hungarian authorities, would otherwise have taken measures.

HARRISON

DCR:VAG:EFR 9/18/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
 TO: Secretary of State, Washington
 DATED: September 15, 1944
 NUMBER: 6093

CONFIDENTIAL

The following message is from McClelland for WRB.

With reference to my 6015, dated September 12, 1944, during the past fortnight we have received reports, which have been confirmed by Kasztner in late talks with Saly Mayer, that the Government of Hungary is planning to take the dispositions given below with respect to about 200,000 Jewish individuals remaining in Hungary, in Budapest mainly.

1. Every physically able bodied man and woman will be placed in compulsory work in agriculture and industry in various parts of the nation in the interests of national defense.

2. As early as August 24, preparations were being made to establish two large camps having a combined capacity of 120,000 individuals for all Jews from Budapest who were not suited for work from a physical standpoint. In this connection, Kasztner declared that such camps were to be placed under military control, while late press reports issuing from Budapest write of supervision by the Red Cross. It is not specified whether such supervision is international or Hungarian, although on September 12 ICRC informed me they possessed no details with respect to this arrangement. However, it appears improbable that ICRC will be in a position to exercise any effective degree of control over these camps, because of continued failure on the part of the Germans to issue transit visas for ICRC personnel from Switzerland, even though both Saly Mayer and I have made the suggestion that they contemplate appointing as their delegates certain responsible Swiss citizens living in Budapest. It seems that there is little doubt that the Jews themselves in Hungary will be asked to render financial assistance in establishing camps under this plan.

3. Every infirm and old person who is not able to even go to camps will be grouped in unspecified localities in "Jewish hospitals".

The following is for your confidential information: Kasztner declared that about 200,000 Jewish persons stayed in Hungary, in Budapest principally; 360,000 others had been deported and the Gestapo in Budapest admitted they had been exterminated; and finally 160,000 were in labor service outside Hungary (alive presumably) at several localities in German controlled territory (Lobau Mauthausen, Strasshof and Resensu in Austria were mentioned).

DCR:MED:CR 9-18-44

Harrison

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: September 15, 1944
NUMBER: 6107

SECRET

FOR STRICTLY CONFIDENTIAL INFORMATION OF THE WAR REFUGEE BOARD ONLY.

McClelland sends the following for the War Refugee Board.

Reference is made herewith to Department's cable of September 6, no. 3074.

The question of the Resienstadt has been discussed by me with ICRC and especially the question of their delegates visit to this ghetto in the month of June, 1944.

In the main it is quite true that the Resienstadt can be termed a "privileged camp" in that the majority of the internees there are Jews who served with distinction in the German army during the last war (and their families) or who possess personal connections with influential German circles such that the Nazis were reluctant to exterminate them. The Resienstadt has constantly served as a transit camp for other less "privileged" Jews in addition to the more or less stable permanent population of about 35,000 souls. It has mainly been Jews of the former category who have been deported to extermination camps of Auschwitz-Birkenau. (see Legation's cable of July 6, no. 4395).

ICRC has expressly refrained from giving any publicity whatsoever to the June visit and observations of its delegate not wanting to furnish material gratuitously for German propaganda purposes (see Legation's cable of July 31, no. 4907) being aware that the Germans permitted ICRC to visit the Resienstadt quite possibly in the hope that any report from ICRC could be used to whitewash their treatment of Jews in general. It is felt by ICRC that since German authorities have never allowed them to visit any of the other and far worse Jewish camps (with the exception of a singly very limited visit to Drancy) releasing their impressions of the Resienstadt would be exceedingly onesided.

It is stated by ICRC that it exercises no activities with regard to Jewish camps at the Resienstadt or elsewhere which could be interpreted as "protective" and has absolutely no authority to handle matters such as the distribution of documents and

- 2 -

the like which are only within the competence of a protecting power. However, ICRC does not intend in the least to relax its efforts to continue the flow of relief goods to the Resienstadt or to other camps containing Jewish deportees through whatever channels are available to it or which might be opened up. ICRC shares and has not lost sight of the War Refugee' Board's concern for such Jews' precarious situation.

HARRISON

NOT TO BE RE TRANSMITTEDSECRETOPTEL No. 301

Information received up to 10 A.M. 15th September 1944.

1. NAVAL

Havre Avant Port Entrance blocked by sunken shipping but may be possible enter at high water. All buildings dock area seriously damaged. Clearance of approaches began with attempt to explode mines by depth charges from aircraft, sweeping began 13th. E-boat pens suitable for coastal force base bombarded, military objectives and human torpedoes launching base WENTIMIGLIA U.S. Minesweeper mined near HYERES 10th and towed to TOULON.

12th/13th Two British Destroyers destroyed an enemy convoy of one aremd coaster, two small wscorts and 3 Caiques North of CRETE. Fighter cover provided from supporting escort carrier force.

2. MILITARY

N.W. Europe 7th U.S. Army in the south has met stronger resistance at eastern end of its front. French Forces have made further contact with 3rd U.S. Army at CHAUMONT EN BASSIGNY. South of NANCY 3rd U.S. Army's armoured thrust from NEUFCHATEAU Area has made further progress to half way to EPINAL. Further north whole of LUXEMBOURG with exception of S.E. corner now cleared by 1st U.S. Army who have also straightened their line South of AACHEN by pitching out German salient SW of the town. U.S. Forces are within one mile of AACHEN itself and a bridgehead extending over Dutch Border has been established 7 miles south of MAASTRICHT. No further news from U.K. and Canadian fronts. Further slight U.S. gains BREST which is now closely invested and street fighting reported in Western Outskirts.

Italy 13th. Day of heavy fighting by both 8th and 5th Armies produced little change. German resistance still stubborn ADRIATIC Sector but some progress made by Canadians. In centre North of FLORENCE our advance checked by increasing enemy opposition. Small gains reported Western Sector.

Russia Russians have captured PRAGA and have made further progress in TRANSYLVANIA where they are now within 13 miles of CLUJ.

3. AIR OPERATIONS

Western Front 14th. Lancasters dropped 185 tons on ammunition dump near HAGUE. Medium Bombers attacked Defenses BREST 220 tons and BOULOGNE 100, 3 aircraft missing. Off NORWAY Coastal Command aircraft (one missing destroyed armed trawler and set fire to two 2000 ton ships.

Mediterranean 13th. Escorted Liberators and Fortresses bombed 2 oil refineries GERMANY 500 tons rubber factory POLAND 210 and locomotive works HUNGARY 235. 1260 heavy and medium bombers and fighters attacked communications and gun positions in Italian battle area. Targets YUGOSLAVIA attacked by 56 aircraft. Enemy casualties 2:1:0, ours 27 aircraft missing.

13th/14th. Heavy and medium bombers dropped 170 tons on three airfields ATHENS.

September 16, 1944

Hopkins just called me and said that Jimmy Byrnes would not go as High Commissioner to Germany or as Ambassador to Great Britain, and he wanted me to know that the position of High Commissioner was wide open. That is all he said.

Of course, it is perfectly obvious that he wants it for himself, but that is all he said.



THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

September 16, 1944.

Mrs. Klatz 60 ✓

MEMORANDUM FOR THE FILES:

Jack McCloy telephoned me at 4 p.m. today stating that he had just received an urgent message from Eisenhower asking permission to issue the Proclamation for Germany which he had previously submitted to the Department with the elimination of the following clause from the first paragraph:

"as in other countries liberated from the horrors of Nazi tyranny",

but excluding the suggestion made by the Treasury that the Proclamation indicate that every vestige of Nazism and militarism be obliterated. With the elimination of the clause, the first paragraph of the Proclamation would remain the same.

I asked him if there was any reason given for eliminating one and not putting in the other suggestion. He said there was no real reason given, although it was indicated that to redraft it would cause a great deal of delay. He assumes that they can eliminate the clause without going back through channels, whereas if he adds the suggestion made by the Treasury, it would have to go back through a number of people and several days would be lost. Eisenhower says it is imperative that the Proclamation be issued at once in view of the fact that the troops are already well into Germany.

After discussing the matter with Harry White and Joe Dubois I called Jack McCloy back and gave him the following message: I told Mr. McCloy when we sent over the suggested draft to take the place of the first paragraph of the Proclamation that the Secretary had indicated to him that it was merely a suggestion. We would like to see it adopted, but if it could not be adopted there wasn't anything the Treasury could do about it now. Mr. McCloy said he remembered that and appreciated it, but he did want to clear it with me. He said "Suppose we tell Eisenhower in a cable to go out today that if he feels it imperative to issue the Proclamation at once, he may proceed. We would like, however, if not now, later on, to get the other suggestion regarding the elimination of Nazism and militarism in Germany into the Proclamation." He said he would say that it seemed to him this could still be added at the end of the first paragraph, but if it could not, he would like to have it considered at a later date. I told him we could not insist upon our changes at this time.



acwb



At Chateau Frontenac, 61 ✓

Quebec.
16th September 1944
GREAT GEORGE STREET,
S.W.1.

Dear Mr. Secretary,

As you suggested, I am sending this note so as to clarify the meaning of the phrase " or sold for profit " in the record of the conversation between the President and the Prime Minister on September 14th.

According to my recollection, you explained that it merely meant that our Government should not sell Lend/Lease goods for more than the price at which they are entered in your books plus a reasonable allowance for transport and similar charges. I should be grateful if you could let me know whether this is correct.

Though I do not know whether we are informed about the price at which Lend/Lease goods stand in your books, - thanks to your generous desire to keep the dollar sign out of Lend / Lease, - I feel sure that we habitually keep well within this limit and that we shall therefore find no difficulty in meeting the President's wishes in this respect.

May I also take this opportunity of telling you how much I enjoyed seeing you at Quebec and how very grateful I am for all the kindness you showed in your dealings with such a novice as

yours very sincerely
Cherwell.

Mr Secretary Morgenthau

25

SEP 16 1944

Dear Mr. Valensi:

Reference is made to your letter of September 4, 1944 to Secretary Morgenthau in regard to payment to French authorities of the dollar counter value of franc currency retained by United States troops from their pay for expenditures in France.

We have asked the War Department to ascertain as of the most recent date possible the net amount of French franc currency received by United States troops for their pay and retained by them for expenditures in France. As soon as this amount is certified to us by the War Department we are prepared to remit the dollar counter value to the French authorities. Meanwhile it would be appreciated if you would advise us of the account into which payment should be made.

We have noted the intention of the French authorities to remit to the United States the ~~100~~ dollar returns derived from the pay of American troops.

Very truly yours,

(Signed) D. W. BELL

Acting Secretary of the Treasury.

Mr. Christian Valensi,
Financial Attache,
French Delegation,
1800 Massachusetts Avenue, Northwest,
Washington 6, D. C.

BJR-839
This Telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (SECRET O)

London
Dated September 16, 1944
Rec'd 5:46 a.m. 17th.

Secretary of State,
Washington.

7637, September 16, 6 p.m.

FROM MANN FOR PEHLE WRB

The British are raising objections to Treasury licenses issued for rescue and relief as indicated in No. 7534 of September 13. Stone, head of Economic Warfare Division of the Embassy has received a letter from British MEW concerning license No. W-2215 in which it appears that before my arrival a copy of the license was furnished MEW by an officer in Stone's office in effort to cooperate on such matters. MEW laboring under a misunderstanding of license interprets it as an attempt to authorize persons subject to jurisdiction of United Kingdom to undertake transactions contrary to laws and regulations of United Kingdom. While MEW states it is not (repeat not) prepared to allow enemy currency to be acquired against repayment in sterling, it expresses sympathy with object of license and says that it would be prepared to issue licenses for communications with enemies to enable the agents here of persons in United States to have relations with enemy or to make available to such persons the United States currency involved in the transactions licensed in United States. The latter would appear to permit the carrying out of the purposes for which funds are remitted from United States since currency needed for actual operations can apparently be purchased more easily with dollars than sterling. Stone's office is preparing a reply correcting British misunderstanding of license.

I am advised that Embassy has asked British for discussion on level of Ambassador and Foreign Minister relative to blockade problems of relief in kind. British replied agreeing to such discussion and requested that matter of currency relief in enemy territory also be discussed. When such talks have been held, I will report their substance, as well as any further difficulties encountered in freeing for rescue purposes funds sent from United States. It seems to have been a mistake to permit the transfer of dollars to the United Kingdom and thus becoming involved with British exchange control laws without having previously cleared with British unless trustees had cogent reasons which are not known to me. It is suggested that hereafter precautions be taken to see that where possible remittances be made directly and that they are not made through United Kingdom unless such is absolutely necessary.

WFS:CSB

WINANT

LFG-594
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (RESTRICTED)

Naples
Dated September 16, 1944
Rec'd 1 p.m.

Secretary of State,

Washington.

463, September 16, 5 p.m.

FOR JEWISH JOINT DISTRIBUTION COMMITTEE 270 MADISON
AVENUE, NEW YORK, FROM PERLMAN.

Confidential. Advise Schwartz arranging evacuation
approximately 650 Jews Yugoslavia. Composition group 519
Yugoslavs, 77 Austrians, 16 Polish, 14 Hungarian, 9 Czech,
balance miscellaneous. Includes approximately 150 orphan
children. Age groupings 41 infants under five years, 177
children to 17 years, 36 adults to 35 years, 127 persons
to 50 years, 152 persons under 70 years, 17 over 70 years.
Since these persons will fall in saved category can British
Government be urged make Palestine certificates available
for them. Nominal role being mailed you and will cable
notification when operation completed. Am also attempting
arrange evacuation further groups.

BRANDT

WSB

HL-791

PLAIN

Lisbon

Dated September 16, 1944

Rec'd 10:07 p.m.

Secretary of State

Washington

2897, Sixteenth, 11 a.m.

FOR EDWARD CAHILL, BOSTON FROM ELISABETH
DEXTER, WRB, 195 UNITARIAN 331.

If opportunity develops, would committee
approve Gwendolyn Champsaur proceeding Paris as
Secretary Canadian official who would release her
to USO on short notice journey thus greatly
facilitated. Champsaur suggests paying own
living expenses committee covering transportation.
Would be available work with field or otherwise
when wanted.

MJF

HORVED

GM-552
Distribution of
true reading only by
special arrangement.
(SECRET W)

Lisben

Dated September 16, 1944

Rec'd 1:25 a.m.

Secretary of State,

Washington.

2896, September 16, 11 a.m.

Lack communication Lisben to Marsilles and
uncertainty Field's whereabouts make it necessary
forward your telegram to him to Geneva. This is WFB
196 Unitarian 330 from Elizabeth Dexter to Edward
Cahill, Boston. All here pleased committee's generous
support Fields' activities.

NFL

NORVEN

LFG-861

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

Lisbon

Dated September 16, 1944

Rec'd 3:39 p.m.

Secretary of State,
Washington.

2903, September 16, 1 p.m.

Following from Bern "180 September 15, 8 a.m.
From Field Unitarians Geneva for Robert Dexter.

'Have returned from week's trip through Haute Savoie, Savoie and Isere, three departments freed entirely through action local French resistance. Conferred with leading personalities liberation movement including commanders resistance forces, presidents local liberation committees, officials, political leaders. Deeply impressed and moved by atmosphere liberty combined with self-discipline. Cannot adequately express courage, devotion, idealism of former underground fighters now filling all leading positions. Hardly met person not having lost close relative in struggle or himself risked life hourly for months thereby out wiping shame former regime and re-establishing honor French people. But price paid terrific. Besides those killed in battle endless verified cases of torture, assassination, mutilation, deportation. Personally witnessed scenes of identification horribly mutilated corpses. Visited burned villages, saw remains peaceful peasants burned alive. Every locality has its roll of Gestapo victims. While realizing this covers only small corner France, earnestly request authorization undertake special program behalf region which will enter history as first to free self by own blood and suffering. After carefully weighing needs and possibilities with French friends, believe we can most effectively assist by aiding destitute families deprived of bread winner through Nazi terror. At my request local authorities preparing detailed lists such families from which we would select most deserving in accordance with available funds. Estimated cost about 2000 French francs monthly per mother plus 500 each child. Have purchase certain foodstuffs and clothing here through Red Cross. Also standard household compacts at 300 Swiss francs, containing two double beds, furniture and other minimum requirements for family of four. Material aid only temporary pending

realization

-2- #2903, September 16, 1 p.m., from Lisbon

realization principal aim of reintegration in normal economic life. Two French social workers tentatively engaged including our former kindergarten director Ress. Proposed monthly budget \$10,000. Larger budget would enable inclusion additional regions. Smaller budget would mean fewer families. On basis of your 65 and amended Treasury license, assume we can begin work with funds on hand to extent these no longer required for original purpose here or abroad due changed international situation. Since speed essential, shall consider myself free to begin work unless receive your veto by 20th.

Besides above emergency scheme recommend long term repatriation program large number foreign refugees now serving with FFI. Spent day with one battalion composed almost entirely of foreigners mainly Spaniards, Italians, Poles and commanded by one of our former Marseille wards. Majority ultimately wish return home. If Committee agreeable we could begin preparatory steps such as establishing lists and questionnaires, search for family members and later contacts with pertinent authorities.

Finally suggest for consideration adoption one or more destroyed villages for reconstruction, for instance small mountain village of about 100 souls called Argentine. Good job would of course exceed committee finances but might interest individual philanthropists.

Please answer as soon as possible.

Official for Lisbon: Please repeat to Department by airgram for its information".

Please relay above to Edward Cahill Boston from Elizabeth Dexter with following added:

"Unitarian 333 WRB 197. Important send reply Lisbon earliest. Enthusiastic first two recommendations. Third can wait until funds available".

JMS MJF

NORWEB

CABLE TO MINISTER JOHNSON FOR OLSEN, STOCKHOLM, SWEDEN

Several thousand Lithuanian Jews are reported held in camp Kretingen, in Lithuanian-East Prussian border region. Seventy-five hundred are said to have been deported from Kaunas to East Prussia. Great anxiety is felt here for their lives. Please urgently endeavor to extend to the Kretingen inmates and any Jewish deportees from Baltic states in East Prussia the measures indicated by you in your 3565 of September 11 as now being applied to Jews remaining in Baltic countries.

It is reported that many Jews, perhaps 60,000 persons, survive in Ledz, Poland. It is feared that they may be massacred as a prelude to German retreat. Please use whatever means are at your command and take such measures as may be feasible to avert any such tragedy.

With reference to persistent reports of renewed or impending deportations of Jews from Hungary and Slovakia by order of German authorities, you are requested unofficially to convey to appropriate individual German officials through all channels that may be available to you the strongest possible representations against these deportations. You should make clear this Government's unflinching determination to see to it that all persons participating in any form whatsoever in these deportations, or in any ~~NEWSPAPERS~~ other form of persecution are apprehended and punished. Wallenberg's contacts as well as your own may be used in this connection.

The Germans are removing from civilian internment camps Polish and other Jews holding documents issued in the names of American Republics. As a result of Board's efforts, the United States and other American Republics have informed the German Government through their protecting powers that such documents must be deemed valid and that such persons must be treated in the same manner as unquestioned nationals of these countries. Nevertheless, removals continue, presumably to extermination centers. Please endeavor through any unofficial channels that may be available to you to convey the sense of the following to appropriate German officials: Foreign Office and other officials who bear any responsibility for the consignment of persons to whom documents have been issued in the name of an American Republic to extermination or other forms of persecution must expect personally to bear the consequences. If American republics, horrified by the bestiality and brutality of Nazi mass-slaughter accord to some persons the protection of their passports or other documents, individual officials of the German and satellite foreign offices and foreign police ought to be anxious to avail themselves of such or any other opportunity to save innocent lives. If, instead, they indulge in fine reasoning and take action which is tantamount to sentencing such persons to persecution or death, they thereby assume the responsibility and invite the consequences therefor. Furthermore, their failure to seize every available opportunity to save lives will be considered as strong evidence of their concurrence with the policy of mass-slaughters of Jews and other civilian populations and their participation in such crimes, the consequences for which formed the subject of President Roosevelt's statement of March 24.

THIS IS WRB CABLE TO STOCKHOLM NO. 86

BAKzin:LSLesser:ar 9/16/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern.
DATED: September 16, 1944
NUMBER: 3198

CONFIDENTIAL

CABLE TO MINISTER HARRISON AND MCCLELLAND.

The following is the substance of a communication received from Minister Johnson and Olsen in Stockholm:

QUOTE A German group consisting of Boening, Kleist and Kämuse have recently renewed their approaches with respect to freeing Baltic Jews against 2,000,000 Swedish kronor of civilian relief supplies for German bombed-out population and a concrete proposal allegedly will be advanced this week with Berlin approval. In the meantime it is stated the German authorities have issued strict orders to stop further Jewish persecutions in the Baltic countries.

We are also advised that Boening returned to Germany for military service but was immediately released and sent to Bern. It is possible that he is involved in some of the German negotiations in Switzerland with respect to Jews, particularly Hungarian. Believe it highly desirable that there be a close interchange of information as to any such negotiations. UNQUOTE

THIS IS WRB CABLE TO BERN NO. 172.

HULL

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATE: September 16, 1944
NUMBER: 3207

CONFIDENTIAL

Following for attention of McClelland.

The following extract of a letter from Berle to Fehle, dated September 11, 1944, is transmitted for your information, with reference to WRB 164, Department's 3180 of September 14.

QUOTE You invited my attention to reports indicating the desirability of presenting to the Germans as soon as possible lists of individuals bearing Latin American passports who are eligible to be exchanged for German nationals.

I agree with your suggestion and am glad to inform you that steps looking toward such action were taken some time ago when the Department drafted instructions to the American Legation at Bern asking that the Swiss draw up lists of persons entitled to inclusion in the exchanges, broken down into various principal categories. With respect to the category into which the numerous bearers of Latin-American passports at Bergen-Belsen would normally fall, the telegrams suggest to the Legation that in as much as the identity of these individuals is probably unknown to the governments whose passports they may hold, it might be possible to compile the requested lists through the cooperation of Mr. McClelland and the various philanthropic organizations in Switzerland who are in possession of the required information. UNQUOTE

HULL

THIS IS WRB CABLE TO BERN NO. 173.

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

September 16, 1944

9 p.m.

AMLEGATION

BERN

3208

The following for McClelland is WRB 174 and refers to your 5859 of September 6.

Packing of remaining 285,000 three-kilo parcels about to be begun by Amcross. One each of following items; one pound oleomargarine, one pound powdered milk, 12 ounces meat, 8 ounces salmon or tuna, 8 ounces cheese, 7 ounces biscuits, 8 ounces sugar, 4 ounces chocolate, 2 ounces soap and package of cigarette in each individual parcel.

Instructions from Board regarding receipt cards to be enclosed each parcel desired by Amcross. Ascertain from Interross the substitute method by which actual receipt of parcels by beneficiaries shall be realized, if receipt cards such as were enclosed in each of original 15,000 parcels ready shipped are unacceptable. Specific instructions concerning markings on outer shipping carton also desired from Board by Amcross. Each outer shipping carton will contain six three-kilo parcels. Ascertain from Interross if markings on original shipment acceptable or their substitute. In order not to delay Amcross production imperative we have immediate answer.

HULL
(MMV)

WRB:MMV:OMH
9/16/44

WE SWP

NCB-M 787

PLAIN

Bern

Dated September 16, 1944

Rec'd 10:06 p.m.

Secretary of State,

Washington.

6112, Sixteenth.

FOR WRB FROM MCCLELLAND

Substance of Department's 3154, September 12, was immediately communicated to Swiss Federal Political Department, Division Foreign Interests, with request that appropriate action be taken as expeditiously as possible in behalf of these people.

Since, however, portion of note of Minister for Foreign Affairs of El Salvador quoted in your wire referred only to recognition of documents of specific individuals mentioned in first paragraph your 3154 it would be of value to us to be advised whether Government of El Salvador thereby expressly recognizes all other nationality certificates being currently issued by their Consulate General at Geneva. Does Government of El Salvador desire that Legation present such documents officially to Swiss authorities for forwarding without prior confirmation each case.

HARRISON

MJH

AMT-740

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

Bern

Dated September 16, 1944

Rec'd 7:40 p.m.

Secretary of State,

Washington.

6113, September 16, 11 a.m.

FOR DEPARTMENT AND WRB

Under instructions from the Foreign Office at London my British colleague recently made certain representations to the International Committee of the Red Cross at Geneva with a view to expediting the departure of Jews from Hungary in connection with the so-called "Horthy offer". As these suggestions were generally consonant with instructions on the subject which had previously been received from the Department and War Refugee Board I instructed Consul Squire to communicate to the ICRC my concurrence with the representations made by the Brazilian Minister.

Consul Squire reported on September 5, 1944, that he had taken this action by a communication dated September 4.

He now reports that the Red Cross has replied as follows under date of September 12: "The questions raised by the Government of His Britannic Majesty are unfortunately overtaken by the events. In fact at the present time emigration from Hungary towards Rumania and Bulgaria is absolutely impossible. On the other hand emigration towards the other neutral countries which are accessible, namely, Sweden and Switzerland, meets with very serious obstacles.

The Government of these two countries are undoubtedly quite ready to receive a large number of Hungarian Jews but the difficulty for these emigrants is to reach these countries.

- 2 -

While the Hungarian Government declared that it was disposed to let the Jews emigrate to countries which are willing to receive them particularly Palestine on the other hand the German Government is little inclined to deal with requests for permission to leave Hungary or to cross Germany in transit.

The ICRC does not by any means give up its attempts in taking all the steps possible in favor of the Jews in Hungary but it must admit the fact that at the present time those attempts are in a large measure confronted with the greatest difficulties."

HARRISON

RR

AMT - 675

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

Bern

Dated September 16, 1944

Rec'd 4:35 p.m.

Secretary of State,

Washington.

6129, September 16, 6 p.m.

FOR WRB FROM MCCLELLAND

For Weissmann of Self Help from Comité Intellectuals Geneva:

"Reestablishing Paris Brussels offices detailed report follows when precise information available.

Please grant regular subventions outstanding intellectuals escaped Poland to Shanghai. We must assist Hungarian intellectuals who arrived Switzerland via Camp Bergen-Belsen bringing news concerning other intellectuals from Theresienstadt and Bergen-Belsen to whom we send parcels via Intercess. Will continue this assistance. hope you agree, appreciate your early supplementary remittance." 2405

HARRISON

RR

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking via Navy
 TO: Secretary of State, Washington
 DATED: September 16, 1944
 NUMBER: 1566

SECRET

FOLLOWING FROM FRIEDMAN SECRET FOR SECRETARY OF TREASURY.

We refer herewith to Department's cable No. 1041 of August 5, 1944.

Given below is a summary of findings on trip to Chengtu and Kunming concerning expenditures by Army.

We are sending by pouch a detailed report.

It was the practically unanimous opinion of academic economists, businessmen, central and provincial government officials interviewed in Chengtu and Kunming ^{that} at the United States Army's presence and activities, including those undertaken by the Chinese Government for Army, were a minor indecisive factor in price situation. Available data seems to bear this out.

It was generally agreed in Chengtu that construction of air fields did not have the deteriorating effect on economy that was expected. There has been no appreciable interference with agricultural production; goods required by the 5,000 American troops could easily be provided by Chengtu plain; the volume of expenditures never attained the levels expected; and a high percentage of the funds disbursed by the Chinese were kept by the contractors and officials involved and never reached the laborers and farmers.

United

United States Army officials in both places insisted that they could not were obtaining services and commodities at lower prices than Chinese and that expenditures by the Chinese for the United States Army were excessive, including exorbitant square and administrative costs. Proof of having Chinese engineers disburse funds to be reimbursed by the United States was particularly criticized in Chungking.

Total liability to China as of June 30, 1944 is estimated by the United States Army here at about 10.9 billion CN dollars including 5.2 billion CN dollars disbursed through Finance Officers and 7.7 billion CN dollars spent by the Chinese at our request beginning the first of March. Original requests by the Army totalled 9.126 billion CN dollars but inasmuch as the Chinese have never given an indication of the actual amount which they spent, the Army is using estimates which its field officers compiled. The estimates exclude the following: (A) taxes (17% of total amount spent through Finance Officers, i.e. 5.9 billion CN dollars as of the 30th of June deducted for this reason); (B) expenses for supervision such as running of Chinese Engineers Office in Chungking and (C) Chinese housing on projects not connected directly with USAID hostels. It is assumed by the Army that US is not to make payment for (A) public roads improvement such as Burma Road unless United States Army is to be principal user of road and (B) anything built before present agreement with exception of the Chungking project. It is believed by the Army here that everything for which we are committed to pay China is being included in the figures.

Disbursements

Disbursements through Finance Officers of no-rate GH have totalled 5.2 billion GH dollars since June 30 (including September) or Grand total of 9.1 billion GH dollars. Such expenditures are estimated at 1.6 billion GH dollars in September. Disbursements for our account by Chinese agencies are estimated at about 3.375 billion GH dollars since June 30 (including September); these totalled 1608 million GH dollars and 600 million GH dollars respectively in August and September.

China is divided into three districts for air field construction and maintenance, principal centers being Kunming (District One) Chengtu (District Two) and Kweilin (District Three). The following are the reimbursable expenditures made in these areas by the Chinese in the period March 1 to June 30: 1.1 billion GH dollars for District One; 4.4 billion GH dollars for District Two; 2.1 billion GH dollars for District Three. Also the following disbursements have been made by the Chinese since the 30th of June: 858 million GH dollars for District One; 1682 million GH dollars for District Two; 825 million GH dollars for District Three.

Out of the total payments of GH dollars 9.1 billion of no-rate GH made since February through Finance Officers, the Kunming area accounted for 5.1 billion GH dollars; Kweilin area 1.2 billion GH dollars; Chengtu area 455 million GH dollars; and Chungking area 2.3 billion GH dollars (purchase of alcohol for use throughout China was responsible for high Chungking expenditures). Such expenditures in the Kunming area (including force on Salween front) totalled in August 875 million GH dollars and there was

allotted

- 4 -

allotted for September 1.1 billion CN dollars. Corresponding figures were CN 65 and CN 50 million in the Chengtu area. Allotments were CN 35 and CN 29 million in Kweilin area for August and September respectively and were CN 1175 and CN 421 million for Chungking area.

Engineer equipment, e.g. shovels; transportation and fuels and lubricants, particularly alcohol, have been the principal categories of expenditures.

With respect to the effects of Army expenditures on economy of Yunnan, the Kunning branch of Central Bank has supplied the following information covering all payments made by it for the accounts of United States and Chinese Governments during the month. May, July 1944: CN 2135 million to United States Army for its direct disbursement; CN 508 million for military construction for use of United States Army; CN 477 million for WASC hostels; CN 1132 million Chinese Civil Administration and CN 2254 million for Chinese military.

As regards Chengtu, given below are figures of notes issued by Chengtu Branch of Central Bank, which finances all Chinese Government expenditures in the area, principally in notes, according to local bank officials: 400.6 for January; 673.2 for February; 1120.2 for March; 1215.8 for April; 1574.1 for May; 661.2 for June; 740.7 for July; 899.1 for August (foregoing figures in millions of CN).

GAUSS

COPY NO 11NOT TO BE RE TRANSMITTEDSECRETOPTEL No 302

Information received up to 10 A.M. 16th September 1944.

1. NAVAL

On 14th/15th. MTB's sank a 2000 ton ship off NW HOLLAND. On 12th/13th coastal forces sank 3 F. Lighters and set another on fire. in the GULF OF GENOA. Same night Naval reconnaissance KYTHERA ISLAND, AEGEAN, showed enemy had left.

2. MILITARY

Western Europe U.S. troops have occupied NANCY and MAASTRICHT. Some further progress towards BELFORT while near AACHEN initial penetrations into the outer defences SIEFRIG LINE strengthened and expanded. U.S. and Canadian troops have improved their positions despite stubborn resistance.

Italy Continued progress by 8th Army in ADRIATIC Sector. Canadians have enlarged their bridgehead over MARANO near its mouth and U.K. troops have crossed the river near MULAZZANO. MONTESCUDO captured. 5th Army continues to fight very hard in areas Northeast of BORGO SAN LORENZO and South of FIRENZUOLA 25 miles NNE FLORENCE.

Russia Russians have made small advances North of PRAGA, Southwest of PRZEMYSL towards CZECHOSLOVAKIA and in Northern TRANSYLVANIA Southwest of CLUJ.

3. AIR OPERATIONS

Western Front 15th. Poor weather restricted offensive operations. 72 AEF bombers attacked SCHELDE ferries. 15th/16th. 845 bomber command aircraft despatched:

KIEL	488	
BERLIN	27	
SEA MINING	68	(11 missing).

Mediterranean 1194 medium bombers and fighters attacked communications etc. in the Italian battle area.

COPY NO 11NOT TO BE RE TRANSMITTEDSECRETOPTEL No 303

Information received up to 10 A.M. 17th September 1944.

1. NAVAL

HAVRE. Initial minesweeping complete and subject to certain precautions small vessels may enter. German Hospital Ship ROSTOCK intercepted off LORIENT afternoon 16th and taken to port for examination. A British Cruiser and a British Destroyer sank two ships north of CRETE on 14th/15th.

2. MILITARY

Western Europe Reports, not yet confirmed, state BELFORT reached by 7th U.S. Army. LUNEVILLE fell on 15th to 3rd U.S. Army which has made considerable gains in this sector. SIEGFRIED LINE defences further north penetrated at various points resulting in fall of AACHEN where forward elements are 12 miles East of town. Germans strongly counter attacked without success new British bridgehead across MEUSE-SCHELDE junction canal throughout 16th. Poles have reached Dutch frontier on broad front northeast of GHENT while Canadians have progressed 3 miles in their attack on DUNKIRK.

Italy In Adriatic Coast sector 8th Army has considerably expanded its bridgehead over the MARANO. Last reports mentioned Canadian Infantry being directed on ABISSINIA, 1½ miles southeast RIMINI. We have a firm grip on the ground northeast of MULARANO while southwest of MONTE COLOMBO there has been an advance west from the MARANO of nearly a mile. Little change reported 5th Army front where German resistance is strong. VIAREGGIO captured 15th.

Russia Russian troops entered SOFIA 16th.

3. AIR OPERATIONS

Western Front 15th/16th. KIEL. 1448 tons including 787 incendiary bombs dropped in clear weather with good result. Target well marked throughout attack in spite of smoke screen. Large conflagration resulted which visible from WEST DENMARK. One particularly large explosion reported.

16th. 500 fighters (3 missing) attacked airfields and transport in WESTERN GERMANY and HOLLAND destroying 6 aircraft on the ground and destroying of damaging over 60 locomotives and more than 400 railway wagons. 219 medium bombers, (2 missing) attacked roads and railways in DUTCH ISLANDS 228 tons and strong points BOULOGNE area 108 with very good results.

16th/17th. 350 aircraft despatched, (3 missing) including 223 to 4 airfields in HOLLAND and WESTERN GERMANY.

Mediterranean 14th/15th. Heavy bombers of MAAF (1 missing) dropped 182 tons on 3 airfields near ATHENS with good results. 15th. 327 heavy bombers very effectively bombed same 3 airfields and a submarine base SALAMIS total 606 tons. 555 fighters (2 missing) attacked communications etc. NORTHERN ITALY.

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

83
DIVISION OF
COMMUNICATIONS
AND RECORDS

FMH-976

Chungking

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

Dated September 17, 1944

Rec'd 12:09 p.m., 18th

Secretary of State,

Washington.

1572, September 17, 8 p.m.

FOR SECRETARY OF THE TREASURY FROM FREIDMAN

Summary of findings on trip to Kunming and Chengtu re prices gold and foreign exchange markets re Department's August 5. Detailed report by pouch.

Section one prices.

Kunming prices tended to rise in August after relative stability in July price indices for August not available but examination of individual commodity prices indicate rise in general price level of about 5 to 10%. Price of rice (polished medium grade per shihtou) rose from CN dollars 730 on July 30 to CN dollars 830 on August 30.

In Chengtu general price level in August and early part of September showed downward tendency as compared with July and June as reflected in following June cost of living indices published by Nanking University

Agriculture

-2- #1572, September 17, 8 p.m. from Chungking

Agriculture Economic Department (February-June 1937 100): June 5, 1944 -- 54,870; July 3 -- 52,720; August 7 -- 50,451; August 28 -- 50,586. Rice has continued to decline and now is back to level prevailing in April 1944 as seen in following United States Army figures (grade one per ton maximum -- minimum): April 970 -- 740; 1550 -- 1040; June 1420 -- 1200; July 1230 -- 880; August 1040 -- 900. Decline in prices accompanied by falling rates on deposits and loans easier credit conditions and increase in volume of bank deposits.

Relative stability of prices in Kunming and Chengtu during summer months was reportedly due to (a) prospects of exceptionally good crops and fall in price of rice, (b) end of war in Pacific seen within one to two years resulting in relatively large scale dehoarding together with decline in consumer purchasing in anticipation of fall in prices -- "sales" were being held by retail stores in Chengtu for first time in years, (c) widespread belief that consumer goods and replacement parts for machinery and vehicles will soon be coming in over Burma-Ledo Road and (d) influx of goods from occupied areas during early stages of Jap campaigns in north and east China.

Present price trend was expected to continue through
September

-3- #1572, September 17, 8 p.m. from Chungking

September 1. e., gradual increase in Kunming and no increase in Chengtu. Many informed Chinese expressed belief that trend likely to be permanent and not even fall of Kweilin would reverse it; others felt that fall of Kweilin together with effects of heavy consumer purchases anticipated during period of autumn festival (beginning of October) would cause prices to rise rapidly again particularly since no fundamental change seen in immediate future in government's fiscal policy, transportation situation and blockade.

GAUSS

WSB

DEPARTMENT OF STATE
DIVISION OF COMMUNICATIONS AND RECORDS
1944 SEP 19 PM 4 05

MS-950

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

Chungking via Navy

Dated September 17, 1944

Rec'd 9:40 a.m., 18th

Secretary of State,
Washington.

1573, September 17, 11 a.m.

FOR SECRETARY OF THE TREASURY FROM FRIEDMAN.
(SECTION TWO).

Gold

The Central Government does not sell gold in Kunming and Chengtu markets. Large purchases for local individuals made in Chungking by agents who handle transportation; sales to ordinary consumer made by goldsmiths. Therefore difficult to estimate total gold sales in these areas.

In Kunming large demand gold for opium purchasing and smuggling. Average sales by goldsmiths over (?) said to amount to 500 to 1,500 ounces per day. We notice 50% of gold thus sold is Indian gold tolas smuggled into Kunming. Smugglers realize about 60% profit because of difference in price between Bombay and Kunming. In July price of gold tended to decline high and low selling prices being in dollars 26,500 and in dollars 23,000 respectively. During August trend reversed as news became prevalent that Central

Government

-2- #1573, September 17, 11 a.m., from Chungking via Navy.

Government had stopped selling gold for immediate delivery and price making it up to cn dollars 30,000 (September 8). This has lead to large influx of Indian gold tolas in recent weeks.

In Chengtu sales by goldsmiths said to total between 200 and 500 ounces per day. (?) remaining steady during May through July selling price rose steadily in August from cn dollars 21,000 per ounce to cn dollars 25,000. During first week of September price rose sharply to cn dollars 30,000.

(END OF SECTION TWO).

GAUSS

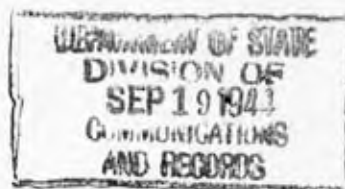
MRM

.... LMS

FMH-966
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
agency. (RESTRICTED)

Chungking via Navy
Dated September 17, 1944
Rec'd 11:20 a.m., 18th

Secretary of State,
Washington.



1574, September 17, 2 p.m.

FOR SECRETARY OF THE TREASURY FROM FRIEDMAN
Section Three Foreign Exchange.

In Kunming and Chengtu demand for United States dollar notes comes principally from speculators and hoarders, merchants trading with occupied areas and individuals going to India where dollars are used to buy rupes for local purchases and also acquisition of gold tolas to be smuggled into China.

In Kunming price of United States dollar notes fluctuated in July and August between 185 and 200. With cessation of sales of United Clearing Board transfers together with increased demand for dollars to purchase gold tolas in India to take advantage of rising gold prices rate rose to 193 (September 8). In Chengtu rate fluctuated in August between 200 and 240

ending the

-2- #1574, September 17, 2 p.m. from Chungking via Navy ending the month at 220. During September rose steadily and by September 8 reached 250.

In Kunming and Chengtu there has been considerable demand for UCB transfers for purchase of goods in United States. As of August 29 Kunming office of UCB had outstanding requests to purchase over United States dollars five million of transfers with individual requests up to United States dollars one million. Chengtu (?) also received requests for amounts up to United States dollars eight hundred thousand each.

In Kunming United States dollar savings certificates fluctuated in July between 130 and 145 ending the month at 140. (?) around this level during August but rose sharply in September reaching 160 by September 8. In Chengtu price said to follow Chungking markets but few points below.

Rupee notes have market in Kunming. In July tended downward high and low points being ninety and 78 ending this month at 78. Since beginning August trend upward with sharp increase during first week of September reaching 95. In Chengtu rupee notes quoted at rates considerably below Kunming and are said to follow upward on United States notes. High and low points in August were 80 and 68 with spurt in first week of September increasing

-3- #1574, September 17, 2 p.m. from Chungking via Navy
increasing 82.

Rupess drafts in Kunming fluctuated between 58
and 60 during July. In August trend was gradually upward
with sharp spurt during first week of September bringing
rate up to 75. In Chengtu there were no transactions in
rupess drafts reported.

According to Cassels of British Treasury, British
now selling three million rupess per month practically
all in Kunming. Sales being handled by secret organization
that also does preemptive (?) in area.

In Kunming and Chengtu practically no interest
shown in past in sterling but since cessation of sales
of UCB transfers some interest shown but practically
no sales made.

(END OF MESSAGE)

GUASS

WFS

September 18, 1944

MEMORANDUM FOR SECRETARY MORGENTHAU

From: John L. Sullivan
Herbert E. Gaston
J. J. O'Connell, Jr.

JLS
HEG
JJO

In regard to the requests of distillers to change a number of their brands from bottled in bond, or straight whiskies, to blends containing neutral spirits without changing the brand name, we think we should advise Mr. Berkshire the requests may be granted under the following conditions:

- (1) A new label must be submitted for the approval of Alcohol Tax and this label besides containing the change in language required under the regulations must be so changed in color or form, or both, as to be instantly recognized as a different label.
- (2) If the distiller finds it necessary to market any of the changed product before approval can be obtained on a new label design, then he should be required to affix a sticker on the front label of each bottle containing the words "A Blend with Neutral Spirits", or "Blended with Neutral Spirits", in type not smaller than Gothic caps of eight point face. This, of course, will not relieve the distiller of the requirement to affix a back label revealing the composition of the blend.
- (3) A press release should be issued announcing the change and the reasons for it and naming the brands changed.

We believe a hearing should be held at an early date on the question of requiring the front label of bottles of so-called blended whiskey to carry the words "blended with neutral spirits" or their equivalent. We think the present regulations which permit the words "blended whiskey" or "whiskey - a blend" or even "a fine blended whiskey" are deceptive notwithstanding what Mr. Berkshire states about the antiquity of this understanding of the word "blend" in the whiskey trade. We agree, however, that there is some point to the argument that this issue ought not to be tied to the matter of granting the requests now pending for changes in various brands. We don't agree that the hearing should be long delayed. We think a call for it should go out within two weeks, at the most, after the brand changes have been authorized and the new labels approved. This will further serve to inform the public that the composition of whiskies is being generally changed as a result of war conditions and they should be on guard and know what they are getting.

OK HEG

September 18, 1944

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Herbert E. Gaston
J. J. O'Connell, Jr.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE Sept. 18, 1944

TO Secretary Morgenthau

FROM Mr. Haas

Subject: The Business Situation,
Week ending September 16, 1944.Summary

Stock market: Stock prices have declined about 3 percent since September 1 as a result of widespread expectations of an early peace in Europe and mounting concern over reconversion problems. Industrial stock prices in London dropped to a new low for the current decline early last week but have since strengthened.

Reconversion: The WPB intends to give industry substantially unrestricted freedom to convert to civilian goods production at the end of the war in Europe, as long as needs for the war in the Pacific are met. Detailed recommendations for the demobilization of controls were slated to be worked out before the end of last week.

Reconversion pricing: The establishment of new price ceilings, to allow for increased labor and material costs when civilian production is resumed, is viewed by many industrialists as one of the most critical of the reconversion problems. Price Administrator Bowles indicated last week that the OPA intends to follow a policy of rather tight pricing, as near as possible to 1942 levels, which conflicts with views of manufacturers regarding increases in costs.

Commodity prices: With favorable war developments promoting weakness in grain futures, the Dow-Jones futures index on September 6 reached the lowest level since August 1943, but subsequently some recovery has occurred. The BLS spot index of 28 basic commodities has held about unchanged.

Factory payrolls: Due largely to the observance of the Independence Day holiday, factory payrolls in July dropped 2.5 percent below the previous month. Despite a decline in July, estimated average weekly earnings of factory workers were still about 6 percent above last year's level and nearly 90 percent above the 1939 average.

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Stock market unsettled by peace prospects

Popular expectations of an early peace in Europe, and growing concern over reconversion problems, have caused considerable unsettlement in the stock market recently. Weakening tendencies which developed near the close on September 5 were followed the next day by the sharpest break since November 1943. Selling pressure later abated, but renewed weakness last Thursday carried prices to a new low for the current decline. (See Chart 1.) The Dow-Jones average of 65 stocks at the close on Saturday stood about 3 percent below the September 1 level. Trading activity on the New York Stock Exchange last week dwindled considerably from the previous week, when transactions averaged 1.1 million shares per day.

The decline in railroad stocks since the beginning of the month has been accompanied by fairly heavy selling of speculative railroad bonds. Despite a recovery near the end of last week, the Dow-Jones average of second-grade railroad bonds has dropped 2 percent since September 1.

Stock prices in London also have been under pressure recently, due apparently to apprehension over post-war uncertainties. In Chart 2 it will be noted that average industrial stock prices in London last week dropped to a new low for the decline which got under way in August. In the latter part of the week, however, prices strengthened noticeably.

Steel scrap prices decline

In addition to the recent unsettlement in the stock and commodity futures markets, trading apathy and price weakness have developed in the market for steel scrap. Trade journals indicate that most steel mills have withdrawn from the scrap market and prices have weakened considerably. As a result of the easing in prices, the Iron Age scrap composite price has declined \$1.17 in the past 2 weeks to \$18.00 per ton. In addition to other factors, the reluctance of steel mills to buy scrap is believed to be due in part to the possibility of a sudden end of the war in Europe, and a consequent reduction in steel operations.

WPB to remove most controls when Germany surrenders

Following a recent meeting of the full WPB board, Acting Chairman Krug announced that the WPB would remove almost all controls over materials as soon as Germany is finally defeated.

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Exceptions to the general lifting of controls will be those needed to assure the reduced amount of war production necessary to defeat Japan, and a few allocation orders over items such as rubber, lumber and textiles, which are expected to be in tight supply even after Germany's defeat. The controlled materials plan for allocating steel and copper is to remain in effect only for the duration of the quarter in which the war in Europe comes to an end.

In brief, the present intention is to give industry substantially unrestricted freedom in reconverting to civilian goods production as long as the needs of the war against Japan are also being met. However, detailed procedures for putting the foregoing program into effect still have to be developed, and it remains to be seen how the program will work out in actual practice. In this connection it should be noted that Acting Chairman Krug recently directed key executives of the WPB to submit not later than September 15, detailed recommendations for the demobilization of controls at the end of the war in Europe. For this purpose 14 subcommittees were set up to review the preference rating structure, the controlled materials regulations, export controls, construction controls, etc.

War Mobilization Director's report on reconversion plans

In surveying the outlook for reconversion, the recent report to the President on reconversion plans submitted by Mobilization Director Byrnes included the following outstanding points:

(1) With the defeat of Germany, requirements for war materials will be reduced about 40 percent.

(2) Prime contractors are being notified of tentative plans for cutbacks effective at that time.

(3) The Commander of the Army Service Forces has directed that authority be given him to reduce by 50 percent certain supply orders placed after this date for strategic reserves. He has also ordered that stocks at supply depots, now kept at 90 days' supply, be reduced to 60 days' supply for vital combat items and 45 days' supply for other items.

(4) Plans are being made to facilitate the sale and conversion of war plants and machinery for use in civilian production.

(5) It is recommended that the 40-hour week be restored after Germany's defeat, except in war material plants and in tight labor areas.

(6) Repeal of the excess profits tax is recommended after the defeat of Japan. The suggestion is also made that

- 4 -

manufacturers be allowed to depreciate new machinery heavily in the year purchased, as an incentive toward new ventures, continued technological improvement, and increased employment.

(7) Mention is made of the problems of re-pricing civilian goods, and of supporting farm prices. (These are discussed in later sections of this memorandum.)

Progress of interim program for limited reconversion

Meanwhile the interim program for limited reconversion to civilian goods production appears to be gaining momentum, although production actually in progress is still extremely limited. By September 7, 1,106 applications for civilian goods production under the spot authorization order of mid-August had been received, of which 31 had been approved up to the date mentioned. Procedural difficulties, manpower shortages, and materials limitations have been hindering factors in the initial stages of the program. In a step to aid the program, the WPB during the past week allocated 125,000 tons more of steel for civilian goods production under the spot authorization order in the last quarter of this year.

Pricing in reconversion period viewed with concern

The adjustment of price ceilings for new civilian products is viewed by many industrialists as one of the most critical of the reconversion problems. Due to the rise in labor and material costs, many manufacturers will be unable to operate at a profit, or perhaps even cover total costs, once their Government orders are eliminated and they resume or expand production of civilian goods.

.....In many companies now producing largely for the Government, profits derived from war contracts are tending to offset narrow margins or even losses on their civilian products. For instance, according to the magazine Steel, most steel products (including such items as plates, bars, hot rolled sheets, common wire products, and all carbon semifinished steel) are currently being produced at losses ranging from \$3 to \$5 per ton. Profitable war contracts, however, for armor plate, shell forgings, machine gun clips and other war products have temporarily enabled the companies to make up the losses.

Trade sources (perhaps somewhat biased) have estimated that the resumption of production of certain consumers' durable goods will involve the following increases in costs over pre-war levels: automobiles, 20 to 30 percent; radio sets,

- 5 -

15 to 25 percent; washing machines and ironers, 25 to 35 percent; vacuum cleaners, 25 percent; and electric and gas refrigerators, 25 to 35 percent. In regard to post-war automobile prices, Vice-president Albert Bradley of General Motors stated last week that a 20 percent rise in wage costs over pre-war levels would probably be reflected in a similar increase in the prices of the first cars to come off the production lines. Moreover, he added that with prices depending largely on labor costs, the breaking of the Little Steel Wage Formula and further increases in wages would have to be recognized in a rise in automobile prices even greater than 20 percent.

General principles in reconversion pricing outlined

The task of the OPA in the reconversion period is clear: (1) Price ceilings must be adequate to cover costs and allow some profit in order to induce manufacturers to produce to the maximum. (2) Yet the ceilings must be set low enough to prevent any material increase in living costs that might promote an inflationary spiral. (3) Price adjustments must be made promptly to prevent lags in production. (In this connection, the recent long delay in the revision of cotton textile price ceilings required by the Stabilization Extension Act is not encouraging.)

Director Byrnes recognized the re-pricing problem in his recent report, and suggested that a percentage increase over earlier levels should be granted. On the other hand, Price Administrator Bowles indicated last week the intention of the OPA to work out new price ceilings for major items such as automobiles, refrigerators, radios, etc., on an individual company basis. Price ceilings for the many smaller items might be determined by a formula method, he indicated. However, in case the war should end before important manufacturers of major items could be consulted, the OPA is prepared to issue two formulas which can be employed for reconversion pricing.

Action taken by the OPA on a limited number of reconversion cases indicates a policy of rather tight pricing, which may not be favorable for a rapid expansion in production. The OPA announced recently that manufacturers of a number of items of low-priced consumer durable goods, including such items as baby carriages, fountain pens, electric irons, maple bedroom suites, wire garment hangers, etc., would be eligible to apply for price increases, provided: (1) they were confronted with an over-all loss in their operations, or (2) the ceiling prices on the particular articles were below their factory costs. The

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price adjustments would be limited to amounts only sufficient to cover the costs.

Practically all of the above items, except electric irons, have been produced on a limited scale during the war. From these examples it would appear that the OPA is thinking in terms of much more moderate price increases on new civilian goods than are the manufacturers. Tending to confirm this conclusion, Price Administrator Bowles stated last week that any reconversion price formulas issued would be "tight formulas", and that he hoped to hold reconversion prices as close to 1942 levels as possible.

War developments unsettle futures markets

Commodity markets have continued in a nervous and unsettled state in recent weeks, influenced by favorable war developments. The noticeable weakness in grain futures which developed at the end of August continued into the first week of September, and the Dow-Jones futures index on September 6 reached the lowest level since August 1943. (See Chart 3.) Since then the index has recovered somewhat. The weakness in the futures index has been only slightly reflected in spot commodity indexes. Moody's spot index and the BLS index of 28 basic commodities have shown very little change during the past few weeks.

During the recent weakness in the grain markets, oat and rye prices registered the sharpest declines, with prices off from 5 to 10 cents a bushel in both spot and futures markets. (Since neither oats nor rye is included in the above spot indexes, these indexes were not affected.) Substantial reductions in the Canadian export tax on oats helped to depress prices for this commodity. While wheat futures showed some weakness, cash wheat prices were generally steady as a result of purchases by the CCC and the impounding of wheat in Government loan. In this connection, the CCC purchased almost 65 million bushels of wheat during July and August and has advanced loans on about 54 million bushels.

Cotton prices have shown less decline than grain prices, and at the end of last week were only slightly lower than two weeks earlier. Steer prices have weakened noticeably in this period, while flaxseed prices are off moderately. On the other hand, rosin prices rose appreciably.

The BLS general index of wholesale prices was unchanged in the week ended September 9, following a 0.1 percent rise in the preceding week. (See Chart 4.) This rise partly reflected

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the continued effect of the Stabilization Extension Act in raising prices of cotton goods. At 103.6 percent of the 1926 average, the index is now 0.8 percent higher than a year ago and is 38.1 percent above the pre-war August 1939 average.

Farm price support problem

Director Byrnes called attention in his recent report to the imminence of food surpluses after the defeat of Germany, and to the need for increased appropriations to support farm prices under provisions of the Steagall amendment. His recommendation that adequate funds, estimated as possibly reaching 2 billion dollars, be appropriated for this purpose next year, has met with an initially favorable reception in Congress, according to press reports.

Mr. Byrnes pointed out that our military food procurement will decline by 50 percent, or 4 million tons annually, after the defeat of Germany. In addition, about 4 million tons can be released for other purposes from war-time reserves. Thus it appears that European requirements next year can be met without very large drafts on United States production.

The problem of farm surpluses after this war, as compared with the first World War, will be intensified by the fact that farm production has increased 25 percent in the 5-year period since 1939, as compared with an increase of less than 5 percent in the comparable period after 1914.

Near-record crop production forecast

Contributing to the probability of food surpluses after Germany's defeat is the near-record crop production this year. With unusually abundant rains during August bringing relief to most dry areas in the interior, crop prospects improved about 2 percent, according to the September 1 crop report of the Department of Agriculture. Aggregate crop production is expected to come within 2 percent of the all-time record of 1942, exceeding that of last year by 4 percent and the 1935-39 average by 21 percent.

Corn prospects showed a substantial improvement in August, and the expected 3,101 million bushel crop is larger than in any previous year except 1942. While spring wheat prospects were reduced slightly, the total wheat crop is estimated to be 10 percent larger than the record crop of 1915. A marked improvement in the cotton crop occurred last month, but the 11,483,000 bale crop forecast is only slightly larger than that of last year. Record production of commercial truck crops is expected, and the outlook is for a very large production of deciduous and citrus fruits.

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Rationing of most canned foods to end

In cognizance of probable surplus food stocks when the war in Europe ends, War Mobilization Director Byrnes announced recently the removal from rationing of most canned foods, effective September 17. Only canned fruits, some fruit juices, tomatoes, and catsup will continue to be rationed. Many canned foods, it may be recalled, have been ration-free for several months previous to this announcement. It was indicated that commercial grade beefsteaks and roasts would be removed from rationing in October or November if heavy marketings of cattle develop as anticipated.

The removal of most canned goods from rationing appears likely to be followed by substantial releases of canned foods from Government stockpiles, or sharp cuts in the 1944 canned vegetable pack set-aside, or both. For this crop year only 86 million cases of canned vegetables have been allocated to civilians as compared with 110 million cases last year, when rationing was in effect for practically all canned vegetables.

Reduction in estimates of post-war textile exports may be necessary

While exports of American textiles in the post-war period are expected to be large, recent fragmentary reports from liberated Europe indicate that textile demands may not be as large or as sustained as had previously been estimated in the trade. The September 8 issue of the Journal of Commerce says:

"The French textile industry is largely located in Northern France and around the Paris and Lyons areas. This territory has been liberated without much damage to property, according to reports, which disclose that textile machinery has been left behind by the enemy largely intact, so that production can be resumed shortly. Similar conditions are looked for in Belgium and the Netherlands, should the advancing Allied armies move with the same speed as during recent weeks, thus permitting the Germans no time to engage in wide destruction. From England come reports that the textile machinery set aside in the conversion of plants to war production has been maintained in good order and is ready to go back into making goods. Another fact revealed since D-Day is that the civilian population of France is better clothed than early reports had led people to believe.

"While it is far too early to appraise properly the actual situation, any findings along the lines now indicated can only result in a lowered demand from the continent for

- 9 -

American textiles. There is the added possibility that European mills may come into competition with American mills in the export market also much sooner than expected, should it develop that their domestic demands are substantially under earlier estimates."

On the other hand, this situation may permit an early expansion in export demand for raw cotton. Before the war, France was the third largest importer of cotton, being exceeded only by Japan and the United Kingdom. A formidable obstacle to cotton exports from the United States, however, is the high price of our cotton compared with the world level.

Factory payrolls decline

Factory payrolls in July declined 2.5 percent, showing the largest month to month decrease since the recession in factory payrolls got under way near the close of 1943. Part of the drop in payrolls was due to a moderate decrease in employment. However, the most important factor was the more widespread observance of the Independence Day holiday this year, hence the decline is probably of little significance.

Average weekly earnings of factory workers in July, influenced by the holiday, are estimated to have declined 2.2 percent. Despite this decline, average weekly earnings still were nearly 6 percent above year-earlier levels and about 90 percent above the 1939 average. (See Chart 5.) With further cutbacks in war work and loss of over-time pay looming ahead, leaders of organized labor are again vigorously demanding revision of the "Little Steel" wage formula. The long pending controversy neared one step closer to a final decision last week, when two panels set up by the WLB to hold hearings in the case presented their reports to the Board. Among other findings, both panels are reported to have found that living costs have in fact advanced beyond levels indicated by the BLS cost of living index.

Department store sales well above last year's levels

Department store trade appears to have been little affected by the post-war fears that have made for more cautious buying policies in some sections of industry. The dollar value of department store sales in the week ended September 9 was 14 percent above the 1943 levels as compared with 15 percent in the previous week. (See Chart 6.) These increases are well above the average gain of 8 percent shown thus far in 1944. In addition to notable increases in the Atlanta and Dallas districts, which on the average have shown the widest sales gains in 1944,

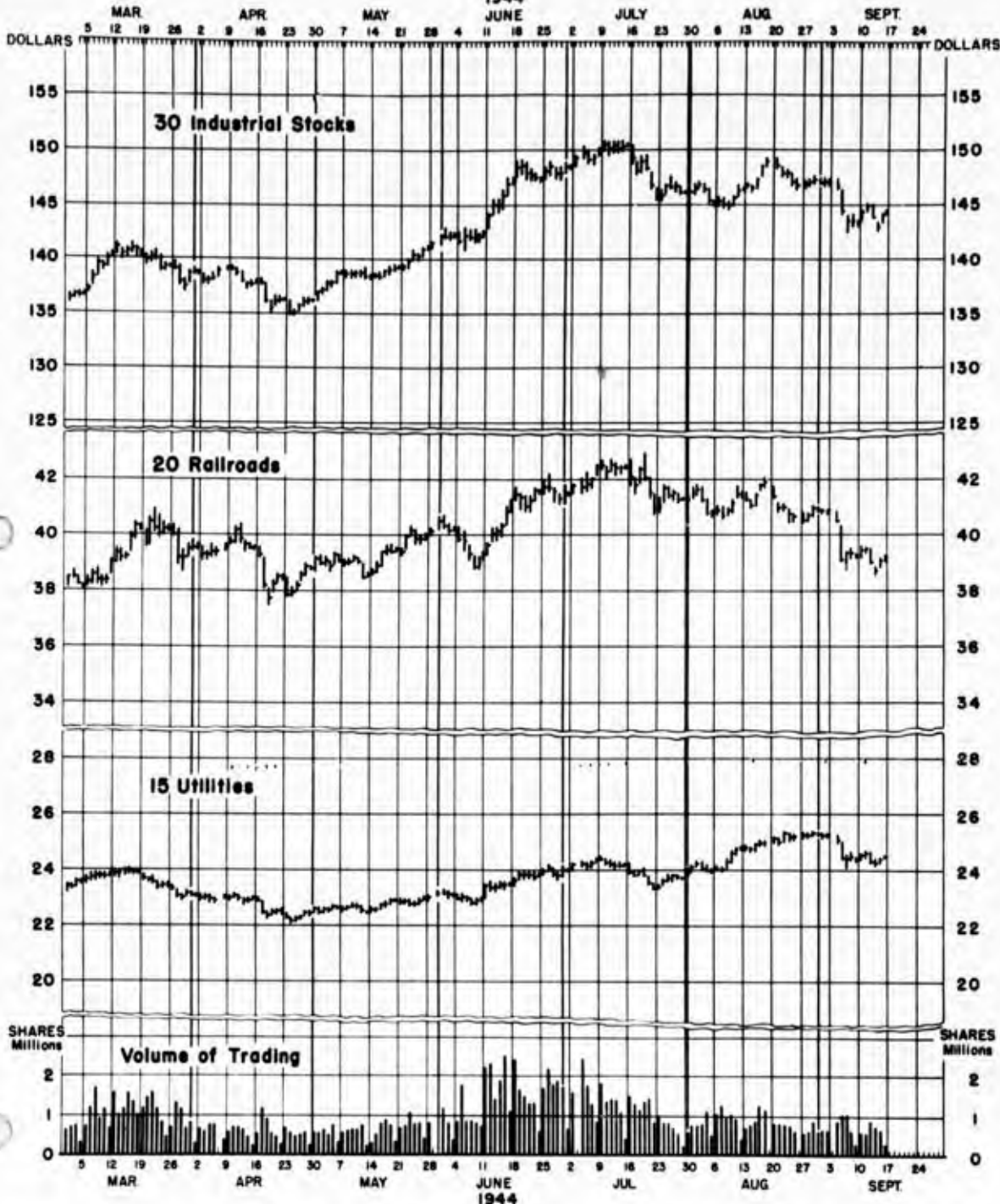
- 10 -

the Boston district in the week ended September 9 showed a gain of 25 percent over last year's level. This strong showing apparently was due to temporary factors, as sales gains in this area in 1944 have lagged somewhat behind the national average.

STOCK PRICES, DOW-JONES AVERAGES

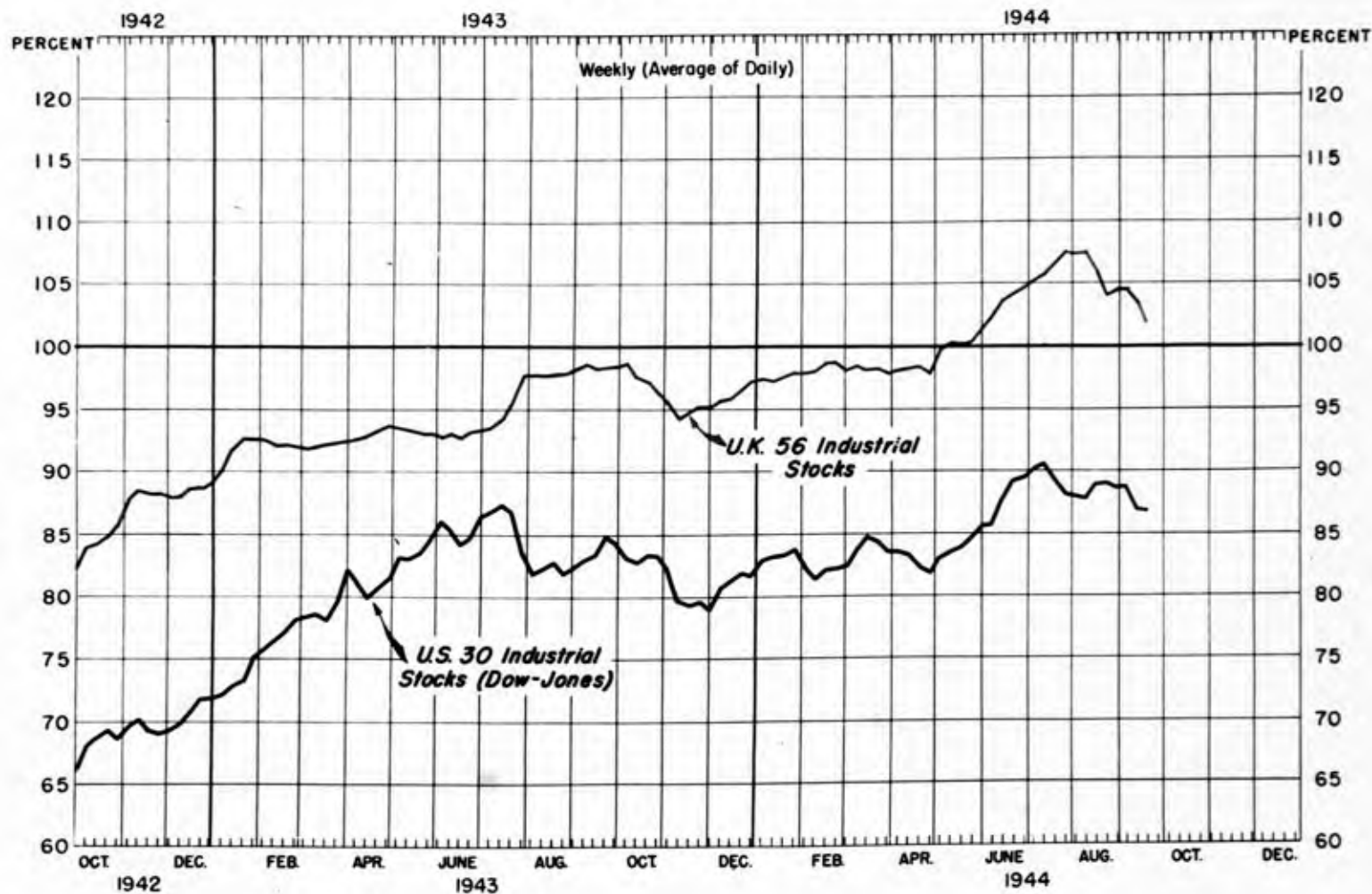
Daily

1944



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

August 1936 = 100

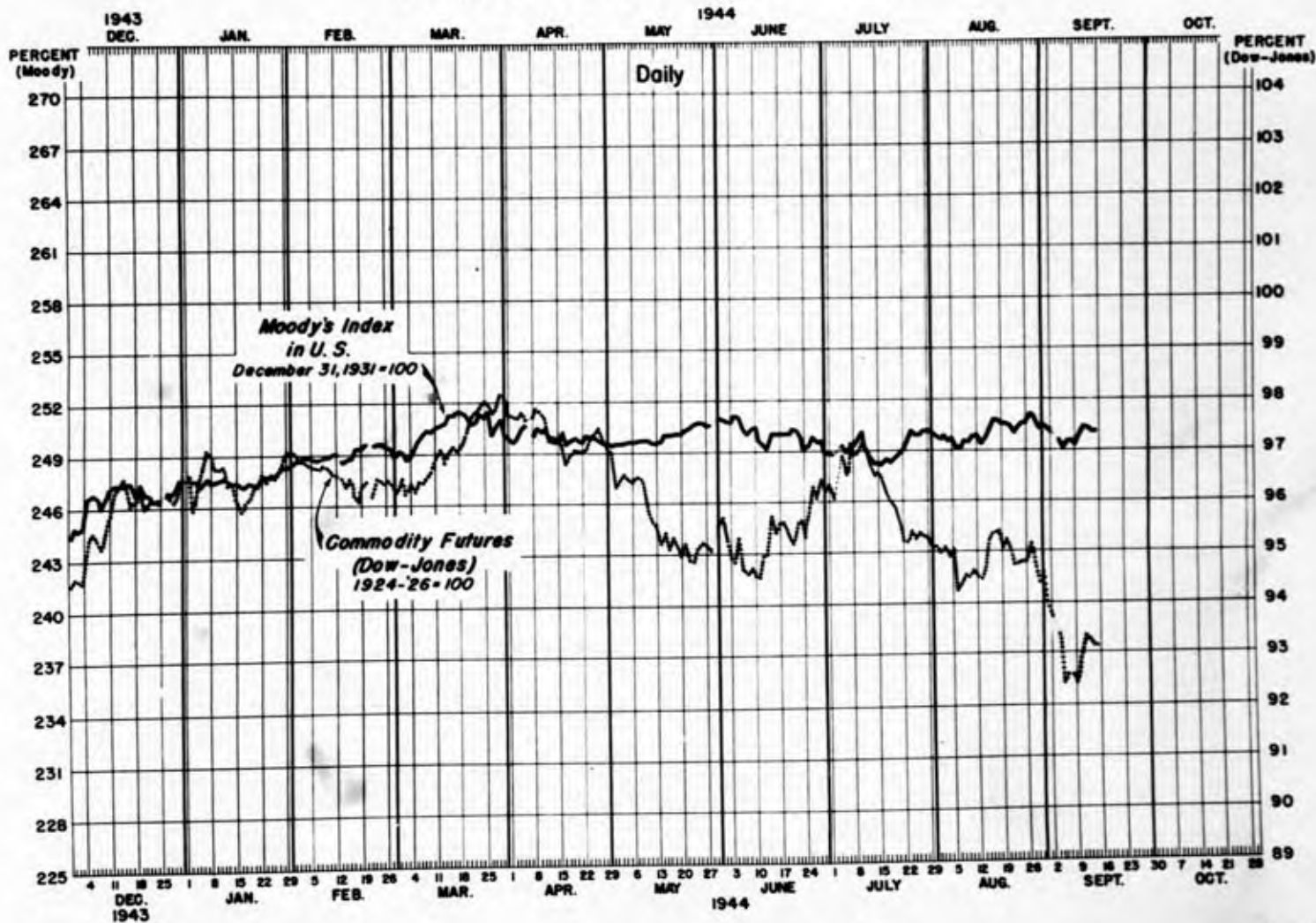


Office of the Secretary of the Treasury
Division of Research and Statistics

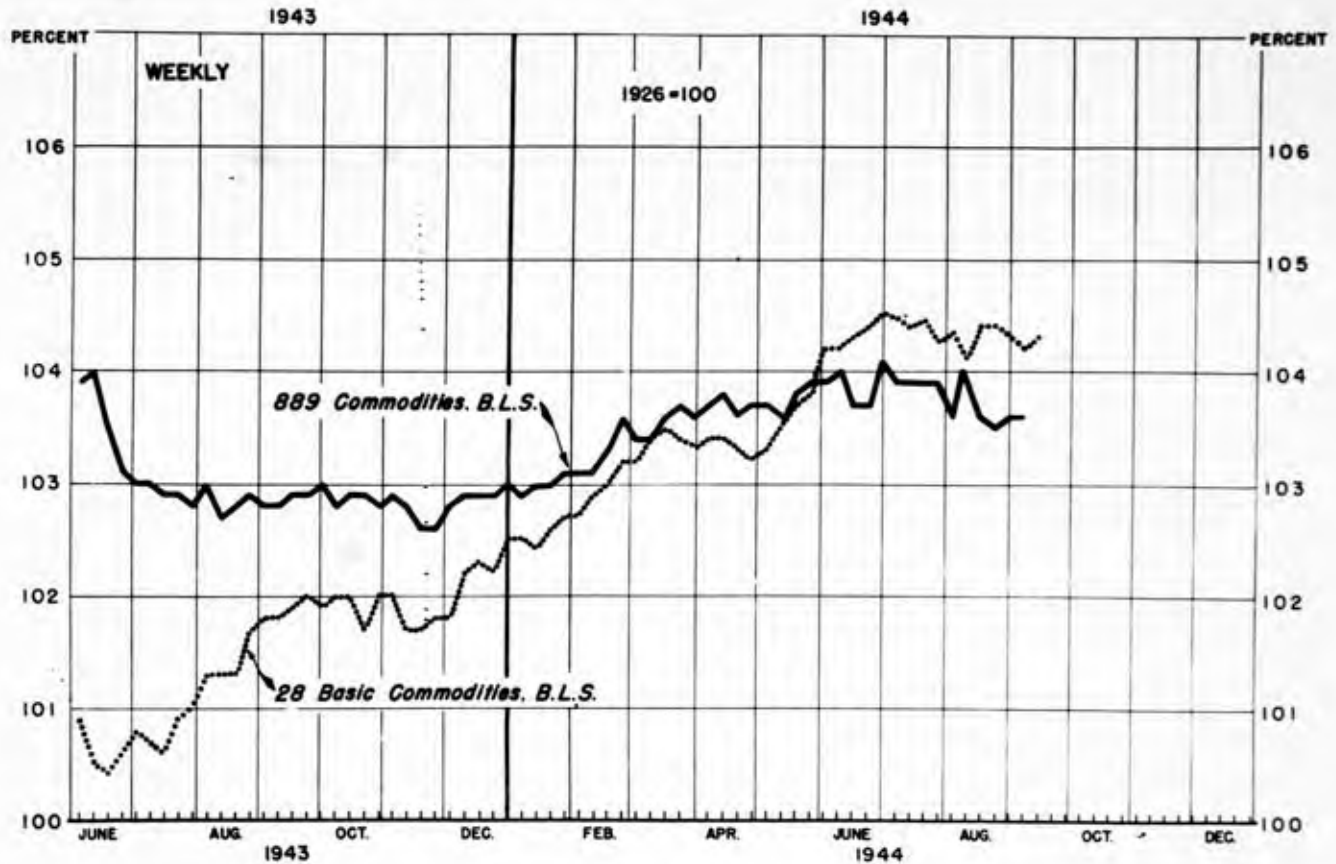
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Chart 2 104

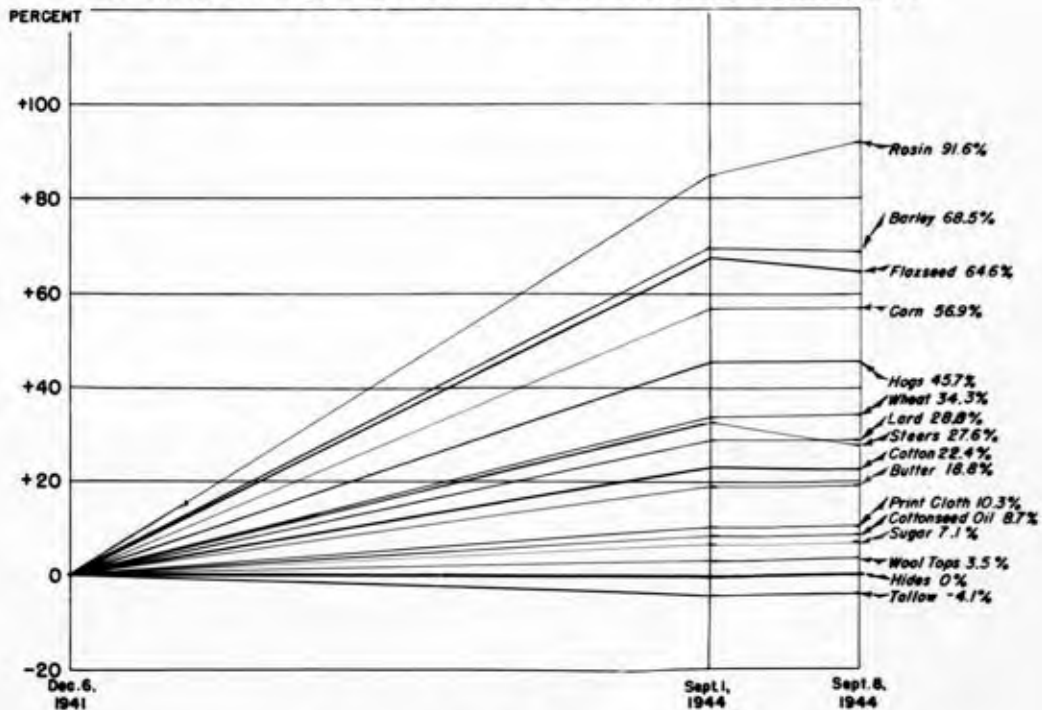
COMMODITY PRICE INDEXES IN U.S.



WHOLESALE COMMODITY PRICES

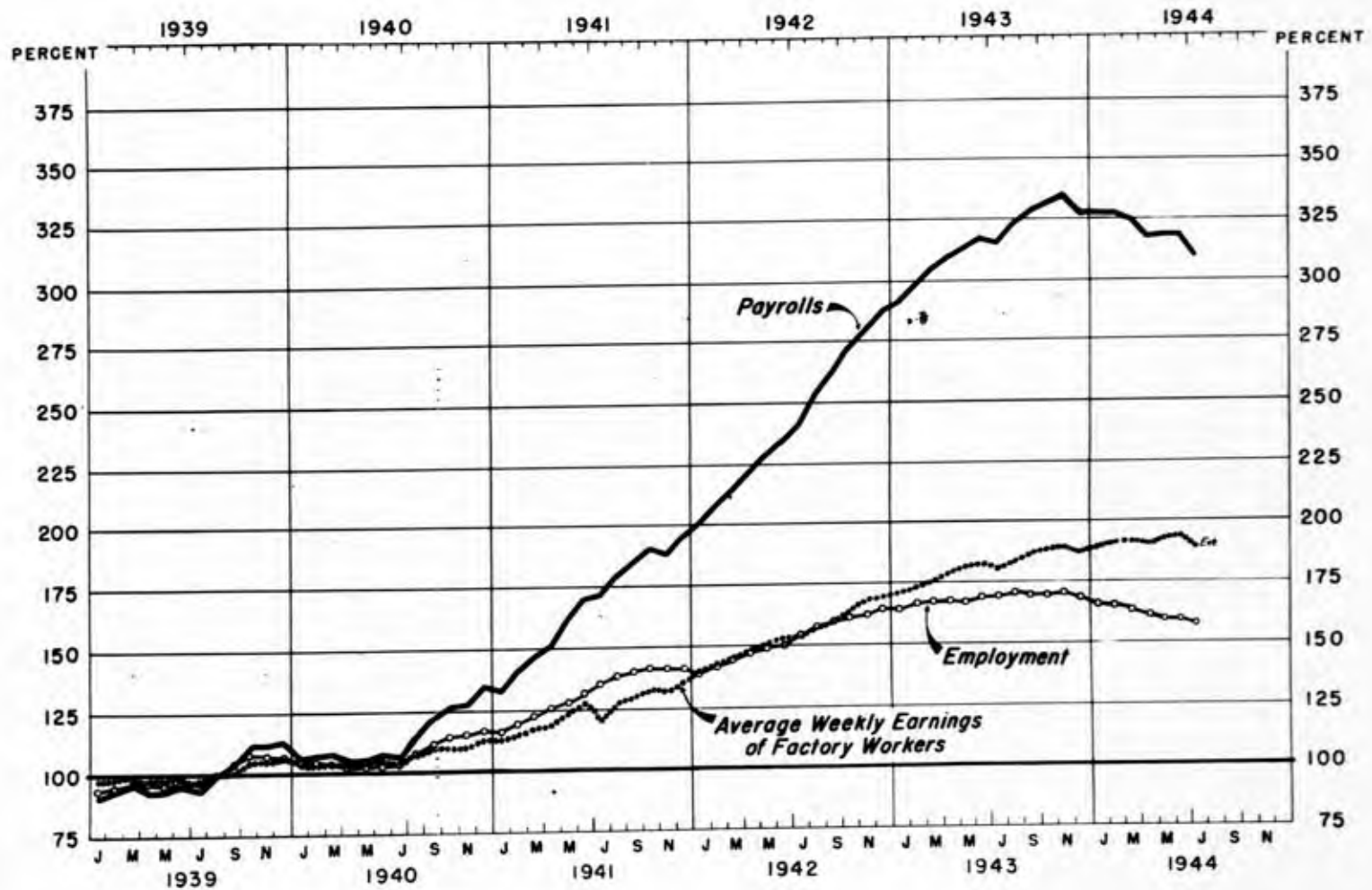


SELECTED BASIC COMMODITIES Percentage Change December 6, 1941 to Sept. 1 and Sept. 15, 1944



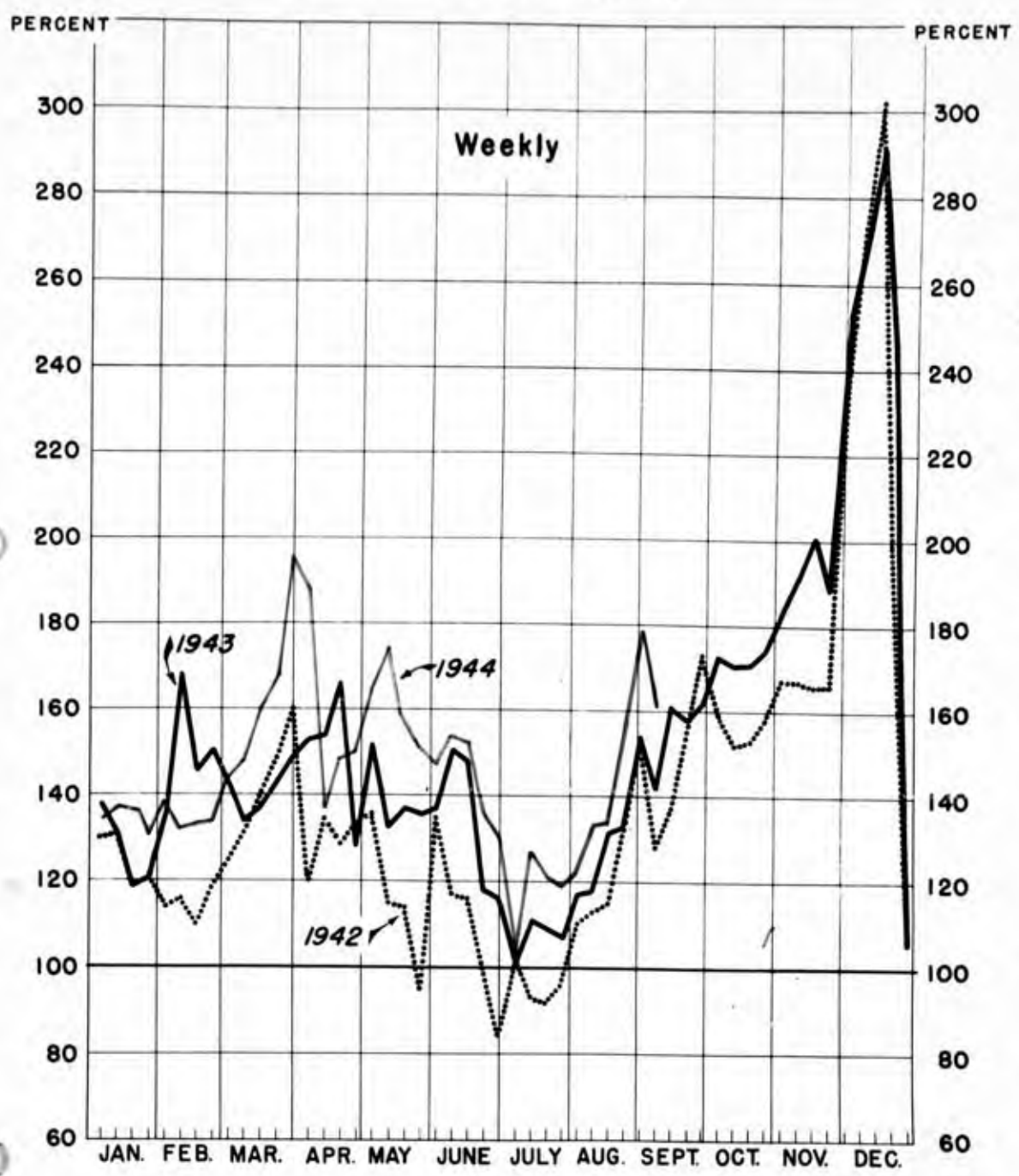
FACTORY EMPLOYMENT, PAYROLLS AND WAGES

1939 = 100, Unadjusted



DEPARTMENT STORE SALES

1935-'39 = 100. Unadjusted



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

C-390-C

109 ✓

Treasury Department
Division of Monetary Research

Date Sept. 18, 1944 19



To: Mrs. McHugh

For your files. I gave this
original to the Secretary, who read it
and returned it to me.

H.D.W.

MR. WHITE
Branch 2058 - Room 214½



THE SECRETARY OF THE TREASURY
WASHINGTON

MEMORANDUM FOR THE PRESIDENT

Subject: Comment on Memorandum for the President
entitled "Lend-Lease and General Economic
Relations with the United Kingdom in
'Phase 2'"

We are in general agreement with the objectives set forth in the draft memorandum under reference but we suggest a more adequate and specific program for their attainment. We do not agree with the recommendation that the American and British reconversion programs should be synchronized nor that Lend-Lease can be reduced by only about one-third over-all. The following program is suggested as a means of achieving the agreed objectives.

I. Reconversion

It is our opinion that the United Kingdom should have complete freedom of reconversion within the limitations resulting from British commitments for military and naval participation in the war against Japan and the curtailment of Lend-Lease. It would be unfortunate if we were to be placed in a position where we would have to discuss with the British the type or scope of our program and we do not wish to assume any responsibility for their program.

II. Lend-Lease

1. The Lend-Leasing of industrial materials and products to the United Kingdom, amounting to about \$1 billion in fiscal 1943-1944, should be discontinued. The continuance of this form of aid



- 2 -

would be very difficult to defend politically in the United States in view of the certainty that Britain will utilize every available industrial resource during Phase 2 in the development of her export trade.

2. The United States will continue to supply food to the United Kingdom on the same basis and approximate scale as at present.

3. The United States will undertake to supply the British operational forces with military requirements under Lend-Lease insofar as necessitated by Britain's participation in the war against Japan, and of which she does not have an exportable surplus within the Empire.

4. While it is recognized that the re-development of British exports will undoubtedly assume a prominent place in Britain's plans during Phase 2, the continuance of Lend-Lease aid to Britain on the basis suggested above should rest on the understanding, heretofore in effect, that items received under Lend-Lease or similar items, should not be re-exported either in the form received or as component parts.

III. Reciprocal Aid

The United Kingdom will continue to supply us as reciprocal aid, (a) services and supplies in the United Kingdom for our armed forces, and (b) military items needed for our units in active combat against the enemy. The need for reciprocal aid will, in any event diminish sharply in Phase 2 owing to the withdrawal of the bulk of the U.S. forces from the U.K. and the European Theater.

CUMULATIVE SUMMARY
Lend-Lease Exports to U.K. and Certain Empire Countries
 (in millions of dollars)

Since March 1941 (to June 30, 1944)

Lend-Lease aid to U.K.	\$ 9,322
Lend-Lease aid to India	1,248
Lend-Lease aid to Australia and New Zealand	<u>1,012</u>
Total	\$ 11,581

CUMULATIVE SUMMARY
Reverse Lend-Lease to U.S. from U.K. and Certain Empire Countries
 (in millions of dollars)

March 1941 to
April 1944

From U.K.	\$ 1,934
From Australia	457
From New Zealand	109
From India	<u>100</u> (to Jan. 1, 1944)
Total	\$ 2,601

BREAKDOWN OF
Lend-Lease Exports to United Kingdom
 (in millions of dollars)

<u>Category</u>	<u>Mar. 1941-</u> <u>June 1942</u>	<u>July 1942-</u> <u>June 1943</u>	<u>July 1943-</u> <u>June 1944</u>	<u>Total</u>
Ordnance & Ammunition	\$ 103	\$ 463	\$ 878	\$ 1,445
Aircraft and Parts	136	370	1,000	1,507
Tanks and Parts	20	352	390	764
Motor Vehicles and Parts	40	103	337	480
Watercraft	<u>16</u>	<u>108</u>	<u>86</u>	<u>211</u>
Total Munitions	\$ 317	\$1,398	\$2,692	\$ 4,409
Industrial Materials and Products	\$ 424	\$ 793	\$1,065	\$ 2,283
Agricultural Products	<u>662</u>	<u>867</u>	<u>1,100</u>	<u>2,629</u>
Total	\$1,404	\$3,058	\$4,858	\$ 9,321

9/12/44

FEDERAL RESERVE BANK
OF NEW YORK

September 18, 1944.

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. H. D. White

I am enclosing our compilation for the week ended September 6, 1944, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Very truly yours,

/s/ H. L. Sanford
H. L. Sanford,
Assistant Vice President.

The Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington 25, D.C.

Enclosure

COPY

✓
TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

September 19, 1944

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended September 6, 1944, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

EmB

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS
(In Billions of Dollars)

Week Ended September 6, 1944 Strictly
Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)								BANK OF FRANCE				
	D E B I T S				C R E D I T S				Net Incr. (+) or Decr. (-) in Funds (d)	Total Debits (e)	Total Credits (e)	Net. Incr. (+) or Decr. (-) in Funds (d)	
	Total Debits	Gov't Expendi- tures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of Gold	Securities (Official) (b)	Transfers from Official Australian Account					Other Credits (c)
First year of war (a)	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3(f)	1,095.3(f)	+ 299.0
War period through December, 1940	2,782.3	1,425.6	20.9	1,335.8	2,793.1	2,109.5	108.0	14.5	561.1	+ 10.8	878.3	1,098.4	+ 220.1
Second year of war (h)	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1
Third year of war (i)	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+ 125.9	18.5	4.4	- 14.1
Fourth year of war (j)	764.0	312.7	170.4	280.9	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	1.0	- 9.3
1943													
September	42.4	16.8	10.6	22.0	86.2	-	-	15.0	71.2	+ 36.8	-	-	-
October	38.2	16.0	-	22.2	115.4	-	-	40.5	74.9	+ 77.2	-	-	-
November	65.9	42.4	5.9	17.6	89.0	-	-	3.5	85.5	+ 23.1	-	-	-
December	98.1	16.3	-	81.8	134.5	-	-	36.5	98.0	+ 36.4	-	-	-
1944													
January	44.8	22.2	10.6	12.0	127.5	-	-	1.0	126.5	+ 62.7	-	-	-
February	143.6	14.3	2.1	127.4	144.5	-	-	29.0	115.5	+ 0.7	-	-	-
March	152.9	71.1	12.5	69.3	133.3	-	-	24.5	108.8	- 19.6	-	-	-
April	134.8	14.9	-	119.9	122.2	-	-	27.5	94.7	- 12.6	-	-	-
May	125.1	28.8	8.1	88.2	164.7	-	-	37.0	127.7	+ 38.6	-	-	-
June	101.9	24.1	-	77.8	95.7	-	-	28.0	67.7	- 6.2	-	-	-
July	150.9	18.1	7.3	125.5	85.9	-	-	10.0	75.9	- 65.0	-	-	-
August	91.9	17.8	4.3	69.9	70.7	-	-	0.5	70.2	- 21.2	-	-	-
Week Ended													
August 16, 1944	7.5	2.1	-	5.4	5.0	-	-	-	5.0	- 2.5	-	-	-
August 23, 1944	58.8	2.5	-	56.3	9.4	-	-	-	9.4	+ 49.4	-	-	-
August 30, 1944	4.6	2.8	-	1.8	24.7	-	-	-	24.7	+ 20.1	-	-	-
September 6, 1944	10.3	5.7	-	4.6	5.0 (h)	-	-	0.5	4.5 (h)	- 5.3	-	-	-

Average Weekly Expenditures Since Outbreak of War
 France (through June 19, 1940) \$19.6 million
 England (through June 19, 1940) \$27.6 million
 England (through June 20, 1940 to March 12, 1941) \$54.9 million
 England (since March 12, 1941) 21.5 million

See attached sheet for footnotes

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941.
- (h) For monthly breakdown see tabulations prior to October 8, 1941.
- (i) For monthly breakdown see tabulations prior to October 14, 1942.
- (j) For monthly breakdown see tabulations prior to September 29, 1943.
- (k) Includes \$ 2.2 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports.

ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS
(In Millions of Dollars)

Week Ended September 6, 1944. **Strictly Confidential.**

PERIOD	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)							
	DEBITS			CREDITS					DEBITS			CREDITS				
	Total Debits	Transfers to Official British A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C		Other Credits	Net Incr. (+) or Decr. (-) in \$Rnds (e)	Total Debits	Transfers to Official British A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in \$Rnds (e)
First year of war (a)	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
War period through December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+ 230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
Second year of war (b)	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0
Third year of war (c)	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0	- 5.0
Fourth year of war (d)	723.6	-	723.6	958.8	47.1	170.4	-	741.3	+ 235.2	197.0	155.1	41.9	200.4	-	200.4	+ 3.4
1943																
September	47.2	-	47.2	70.1	-	10.6	-	59.5	+ 22.9	16.8	15.0	1.8	20.0	-	20.0	+ 3.2
October	32.1	-	32.1	71.3	-	-	-	71.3	+ 39.2	42.8	40.5	2.3	26.5	-	26.5	- 16.3
November	15.4	0.1	15.3	95.1	-	5.9	-	89.2	+ 79.7	6.6	3.5	3.1	18.2	-	18.2	+ 11.6
December	146.8	0.3	146.5	55.1	-	-	-	55.1	- 91.7	39.7	36.5	3.2	27.0	-	27.0	- 12.7
1944																
January	32.3	-	32.3	78.5	-	10.6	-	67.9	+ 46.2	6.0	1.0	5.0	11.3	-	11.3	+ 5.3
February	25.4	-	25.4	118.5	23.1	2.1	-	93.3	+ 93.1	31.3	29.0	2.3	28.6	-	28.6	- 2.7
March	30.3	0.5	29.8	89.6	15.0	12.5	-	61.1	+ 58.3	27.6	24.5	3.1	29.9	-	29.9	+ 2.3
April	183.6	-	183.6	96.7	-	-	-	96.7	- 86.9	29.5	27.5	2.0	39.4	-	39.4	+ 9.9
May	154.2	-	154.2	86.3	-	8.1	-	78.2	- 67.9	42.6	37.0	5.6	39.6	-	39.6	- 3.0
June	100.1	0.1	100.0	63.3	-	-	-	63.3	- 36.8	31.4	28.0	3.4	21.8	-	21.8	- 9.6
July	43.7	-	43.7	73.2	-	7.3	-	65.9	+ 28.5	20.4	10.4	10.0	20.6	-	20.6	+ 0.2
August	38.2	-	38.2	61.8	-	4.3	-	57.5	+ 23.8	3.9	10.0	3.9	4.8	-	4.8	+ 0.9
Week Ended																
August 16, 1944	3.9	-	3.9	6.3	-	-	-	6.3	+ 2.4	0.2	-	0.2	0.4	-	0.4	+ 0.2
August 23, 1944	2.5	-	2.5	7.3	-	-	-	7.3	+ 4.8	0.1	-	0.1	3.6	-	3.6	+ 3.5
August 30, 1944	13.8	-	13.8	9.4	-	-	-	9.4	+ 4.4	1.4	-	1.4	0.1	-	0.1	+ 1.3
September 6, 1944	2.2 (f)	-	2.2	29.0 (f)	-	-	-	29.0 (g)	+ 26.8	3.6	0.5	3.1	3.2	-	3.2	- 0.4

Average Weekly expenditures for

First year of war	6.2 million.
Second year of war	8.9 million.
Third year of war	10.1 million.
Fourth year of war	13.9 million.
Fifth year of war (through August 30, 1944.)	16.1 million.

- (a) For monthly breakdown see tabulations prior to April 23, 1941.
- (b) For monthly breakdown see tabulations prior to October 8, 1941.
- (c) For monthly breakdown see tabulations prior to October 14, 1942.
- (d) For monthly breakdown see tabulations prior to September 29, 1943.
- (e) Reflects changes in all dollar holdings payable on demand or maturing in one year.
- (f) Does not reflect transactions in short term U. S. securities.
- (g) Includes \$ 2.2 million deposited by War Supplies, Ltd. and \$ 15.5 million received from New York accounts of Canadian Chartered Banks.

and \$ 10.0 million transferred from account of Sveriges Riksbank at the end of the year.

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington.
 TO: American Embassy, London.
 DATED: September 18, 1944
 NUMBER: 7605.

CONFIDENTIAL

The following message is from FEA and the Department.

We make reference to message from Stockholm of the 15th of September, Number 3681, which, as number 1086 from Stockholm, was repeated to you.

We believe that, having regard to the very special circumstances surrounding this matter, shipments should be permitted with the proviso that responsibility for shipment of the supplies stated will be assumed by Intercross, such shipment to be without German interference, and provided that Intercross is capable of exercising supervision over the distribution of these supplies, either through an agency who is responsible to Intercross, or directly; though we have doubts as to whether the supplies can actually arrive at Pruszkow and, if they do arrive, whether the emergency will still remain in existence when the supplies reach there.

Stockholm has asked for reply by the 20th of September and if you and MEW concur, it is requested that you inform Stockholm.

HULL

SWP:EDK:EHJ

PARAPHRASED:

DCR:LCW:CR 9-20-44

Miss Chauncey (for the Sec'y) Abrahamson, Ackermann, Aksin, Cohn, Drury, DuBois, Friedman, Gaston, Hodel, Marks, Mannon, McCormack, Pehle, Files

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington
DATED: September 18, 1944
NUMBER: 7685.

CONFIDENTIAL

Reference is made to telegram from the Department, dated August 30, Number 6968, and to message from the Embassy, dated August 26, Number 6952.

The Embassy has been advised by the Foreign Office to the following effect:

The Pope was approached further, but the report is from Rome that the matter of intervention by the Pope has come to an impasse for the German Government has informed the Pope that the matter of refugees in northern Italy concerns the Fascist Republican Government and that for the reason that the Vatican has no relation with the Fascist Republican Government, the Pope is in no position to intervene.

WINANT

DCR:LCW 9-19-44

CABLE FROM WAR REFUGEE BOARD TO MINISTER NORWEB FOR DEXTER,
LISBON, PORTUGAL.

Please refer to your 2882 of September 14.

The Beard confirms understanding that War Refugee
Board office in Lisbon will be closed by December 1, or
earlier, if possible

THIS IS WRB CABLE TO LISBON NO. 94

3:15 p.m.
September 18, 1944

MJMarks:hmd
9/16/44

DRAFT OF CABLE TO STOCKHOLM

Please advise Mr. Lars Evenson and Mr. Martin Tranmael, care of the Norwegian Legation, Stockholm, trustees in Sweden, for the American Relief for Norway, Inc., Chicago, Illinois, that the Treasury Department has amended Section 2 of license No. W-2152, described in the Department's telegram No. 619 dated April 8, 1944, to read as follows:

Section 2. "The total amount of funds paid out or set up in blocked accounts or otherwise obligated under the terms of this license shall not exceed the amount of dollars (or the foreign currence equivalent thereof) authorized by specific Treasury licenses to be used under this license."

This amendment is in connection with the specific Treasury license issued to the American Relief for Norway, Inc., to remit to Messrs. Lars Evensen and Martin Tranmael, the sum of \$200,000 to be used under license No 1 W-2152 in addition to the \$200,000 remittance previously licensed. It has the approval of the Department, the War Refugee Board and the Treasury.

9:00 a.m.
September 18, 1944

MChurch:jfh 9-13-44

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

September 18, 1944

5 p.m.

War Refugee Board

AMLEGATION

STOCKHOLM

1869

Please advise Mr. Lars Evensen and Mr. Martin Tranmael, care of the Norwegian Legation, Stockholm, trustees in Sweden for the American Relief for Norway, Inc., Chicago, Illinois, that the Treasury Department has amended Section 2 of license No. W-2152, described in the Department's telegram No. 619 dated April 8, 1944, to read as follows:

Section 2. QUOTE The total amount of funds paid out or set up in blocked accounts or otherwise obligated under the terms of this license shall not exceed the amount of dollars (or the foreign currency equivalent thereof) authorized by specific Treasury licenses to be used under this license. UNQUOTE

This amendment is in connection with the specific Treasury license issued to the American Relief for Norway, Inc., to remit to Messrs. Lars Evensen and Martin Tranmael, the sum of \$200,000 to be used under license No. W-2152 in addition to the \$200,000 remittance previously licensed. It has the approval of the Department, the War Refugee Board and the Treasury.

HULL
(MME)

WRB:MMV:HJ
9/18/44

NOE

WT

SWP

CABLE TO MINISTER HARRISON AND MCCLELLAND, BERN, SWITZERLAND

1. With reference to earlier communications regarding admission of Jewish children from Hungary, Amembassy Habana reports that by note of August 14 Cuban government agreed to lodge 1,000 refugee children now in France and Hungary. Amembassy London advised by IGC that Brazilian government is ready to accept 500 Jewish refugee children from Hungary.

2. With reference to your 5796 of September 3, clarification is desired, since Department's 2853 (erroneously given as 2863) of August 19, WRB's 130 was aimed at Swiss government rather than Inter-cross action. Nevertheless, Inter-cross attitude is regretted and you are requested to convey to Inter-cross Board's feeling that fear of misinterpretation should not be allowed to stand in the way if supervision of departations can alleviate sufferings of deportees. The very presence of Inter-cross observers might have a salutary effect beyond mere humanization of treatment during deportation. Refer to Department's 1806 of May 25.

3. With reference to your 5888 of September 7, regret is expressed at the inability of Swiss authorities to transmit message contained in Department's 2933 of August 25. In the opinion of the Board, the purpose would be accomplished by the mere awareness of Hungarian government that outside world is informed of abuses occurring in Hungary, whether or not they would accept the message in a formal sense.

4. With reference to your 5805 of September 4, paragraph two, it is considered here that documents in question may be deemed to be covered by Salvadorian declaration reported in paragraph six of your 3871 of June 17. Accordingly, if in your judgment delivery of such documents would assist victims of enemy persecution, you may do so, simultaneously cabling Board indicating numbers of documents delivered and persons covered. It is also suggested that these persons be included in lists which you will present to Swiss authorities pursuant to Department's 2407 of July 13 paragraph numbered six and Department's 3180 of September 14 paragraph numbered one.

5. In the same connection, the wisdom of using the term "fraudulent" in any communication is seriously question, as being inconsistent with the stand taken by Department and Board and the Inter-American Emergency Advisory Committee for Political Defense.

- 2 -

6. With reference to your 5894 of September 7, please thank Swiss authorities for information reported therein and request them to continue pressing German government on basis of Department's 3180 of September 14, WRB's 164, and Department's 2490 of July 21.

7. Department's and Board's attention has been called to the case of Chil-Henryk Wilner, reported to be the son of an American citizen, and last known to have been in Belsenbergen.

Pursuant to Department's 1269 of April 13, 1944, please advise Swiss government that Wilner's claim to American citizenship, based on the American citizenship of his father, is under investigation by the Department and that until the Swiss government is specifically advised to the contrary by the Department, Wilner must be presumed to be a citizen of the United States in accordance with aforementioned Department's 1269. If necessary to protect Wilner, and consistent with protection of other claimants to nationality of any American Republic, Swiss may of course advise German authorities of the foregoing.

THIS IS WRB CABLE TO BERN NO. 175

10:10 a.m.
September 18, 1944

BAkzin/sg 9/13/44

CABLE TO MINISTER HARRISON AND MCCLELLAND, BERN, SWITZERLAND

Amembassy Madrid advises that Spanish visas have been granted to 500 Jewish children and 70 accompanying adults in Hungary, but that their departure is being held up by refusal of German authorities to grant transit visas. It is reported that pending departure these persons have been placed under Intercross supervision. Please verify this report and, unless confirmed, request Intercross to undertake such supervision of these beneficiaries of Spanish visas, to prevent their deportation or persecution.

You may also inform Intercross that another fifteen hundred Spanish visas have been authorized for Jews in Hungary. To ensure their safety, Intercross representation in Hungary is requested, likewise to assume supervision of the beneficiaries of these additional visas as soon as feasible.

THIS IS WRB CABLE TO BERN NO. 176

1:30 p.m.
September 18, 1944

BAksin:ar 9/16/44

CABLE TO MINISTER HARRISON AND MCLELLAND, BERN, SWITZERLAND

Reference is made to your 5942 of September 8.

Several thousand Lithuanian Jews are reported held in camp Krotingen, in Lithuanian-East Prussian border region. Seventy-five hundred are reported to have been deported from Kaunas to East Prussia. Great anxiety is felt for their lives. Please make inquiries regarding Krotingen and any camps in East Prussia similar to those referred to in Department's 1921 of June 6 paragraph one and request Intercross to take urgent steps to include them in its program, mainly with a view of preserving inmates from death.

According to reports, refugees arrived from Belsenbergen (see your 5517 of August 23) observed several camps of Jewish detainees along the railroad route they took through Austria. Please ascertain details, inform Intercross and urge it to extend its activities to these camps.

THIS IS WRB CABLE TO BERN NO. 177

1:30 p.m.
September 18, 1944

BAkzin: LSLesser:ar 9/16/44

CABLE TO MINISTER HARRISON AND MCCLELLAND, BERN, SWITZERLAND

With reference to persistent reports of renewed or impending deportations of Jews from Hungary and Slovakia by order of German authorities, you are requested to convey to German authorities through official Swiss channels this Government's most emphatic protest against these deportations and its unflinching determination to see to it that all persons participating in any ~~form~~ whatsoever in these deportations or in any other forms of persecution in Hungary or Slovakia will be apprehended and punished.

In this connection, and referring to ultimate paragraph your 5109 of August 8, attention of German authorities should also be called to position of this Government with respect to deportations from recognized civilian internment camps of persons holding documents issued in the name of American Republics. Unless all such persons are immediately returned to civilian internment camps supervised by Inter-cross, the German authorities responsible will be held strictly accountable.

In addition, the strongest possible unofficial representations on both points should be made to appropriate individual German officials through all channels that may be available to you.

THIS IS WRB CABLE TO BERN NO. 178

1:30 p.m.
September 18, 1944

BAkzin:LSLesser:ar

9/16/44

CORRECTION ON
PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: September 18, 1944
NUMBER: 6106

SECRET

Message No. 6106 dated September 15, was erroneously
marked 6107. Please change serial number from 6107 to
6106.

HARRISON

FMH-245

PLAIN

Bern

Dated September 18, 1944

Rec'd 8:19 a.m., 19th

Secretary of State,
Washington.
6170, eighteenth

Budapest press eighth gives following propaganda description mobilization Jewish labor: mixed commission examines Jews at place of residence and enrolls them according to their training. Jews receive legal and customary wages. Budapest Jews not suited for military service no defense labor are transferred to provinces. Jewish organizations will collaborate with Red Cross in arranging quarters where such Jews can be employed mainly in home industries including feather plucking basket weaving corn husking. Jews enrolled in Honved labor service will be used in industry and lodged in nearby Jewish houses. Hungarian Red Cross will look after their welfare and health. Jewish persons not suitable for work aged sick and weak will be placed in Jewish hospitals in Budapest. Privileged Jews are subject compulsory labor. Under age Jewish children will be placed in care of Red Cross. Jews in Honved labor service sent outside Budapest may have families join them with transfer and maintenance arranged by competent offices. Labor and transfer conditions meet all modern requirements and defy any criticism.

HARRISON

RR

CABLE TO AMBASSADOR HARRIMAN, MOSCOW, USSR

It is reported that many Jews, perhaps 60,000 persons, survive in Lodz, Poland. The Soviet authorities are undoubtedly aware of the danger that the Germans may attempt to exterminate these people before evacuating the city. This Government is confident that Soviet authorities will use every means within their power consistent with the military situation to avert such tragedy. In view, however, of this Government's deep concern for the safety of victims of enemy persecution, it would be appreciated if you would discuss this matter with appropriate officials of the Soviet Government.

1:30 p.m.
September 18, 1944

BAkzin:LSLesser:ar 9/16/44

Copy No 11NOT TO BE RE TRANSMITTEDSECRETOPTEL No. 304

1. Information received up to 10 A.M. 18th September 1944.

1. NAVAL

On 11th a British Submarine torpedoed a laden 3,000 ton ship off NORWAY. On 13th/14th Coastal Forces sank enemy destroyer GULF OF GENOA. On 15th. Two British Destroyers bombarded gun positions and road junctions near RIMINI.

2. MILITARY

Western Europe Successful airborne landings have been made in the ARNHEJ-NIKMEGEN Area only 40 aircraft reported missing which represents 2½ percent of total aircraft landed. Unconfirmed reports state that troops of British Second Army have broken out north Eastwards from the BERINGEN Bridgehead and are now about 7 miles South of EINDHOVEN. Pressure being maintained on remainder of Front Southwards. BOULOGNE attacks progressing favourably and fighting going on in outskirts.

Italy Canadian troops have been heavily counter attacked at SAN MARTINO, 3 miles south southeast RIMINI and were driven from the villate. Further South U.K. troops have captured CERASOLA, 6 miles South Southwest RIMINI and MONTE OLIVO. Heavy fighting continues 5th Army Front but only local advances have been made.

3. AIR OPERATIONS

Western Front 16th/17th. Total 1163 tons on 3 airfields HOLLAND and one in GERMANY also A/A positions at MOERDIJK Railway Bridge.

17th. 690 Bomber Command aircraft (2 missing), bombed strong points BOULOGNE - 3356 tons and 126 aircraft dropped 711 tons on objectives HOLLAND. 821 Fortresses (2 missing) bombed 118 different objectives HOLLAND. Total 2802 tons. 197 Thunderbolts (7 missing) silenced 107 A/A positions and destroyed 98 railway carriages. 478 fighters (9 missing) provided support. 7 German Aircraft destroyed Northwest of ARNHEM, Southeast of NIDMEGEN and East of BOTEL. 447 aircraft released gliders and 952 aircraft from U.K. provided air support while 83 AEF Bombers (3 missing) attacked targets in the area. 191 Fighters flew armed reconnaissances. Coastal Command aircraft sank a Trawler off HELIGOLAND and probably sank a minesweeper off the HAGUE.

17th/18th. Bomber Command sent out 337 aircraft without loss, 40 supporting airborne operations, 201 diversionary sweep, 42 Mosquitoes BREMEN and 54 other operations.

September 19, 1944
10:00 a.m.

GROUP

Present: Mr. D.W. Bell
Mr. C.S. Bell
Mr. Haas
Mr. Pehle
Mr. Gamble
Mr. Blough
Mr. Smith
Mr. White
Mr. Gaston
Mr. O'Connell
Mrs. Klotz

H.M.JR: Charles, what do you have?

MR. C.S. BELL: Just a couple of little things, sir. You want to send Jimmy Saxon to England. He is with Foreign Funds.

H.M.JR: Who wants to send him?

MR. C.S. BELL: Joe O'Connell - Buz Aarons--

MR. O'CONNELL: He would go to England first, but we sent you a memorandum on it, Mr. Secretary, the 12th. You may not have seen it. Mr. Schmidt and I talked to Dan Bell about it. We were suggesting that Saxon go to London and then to France for the purpose of taking a look into the banks, specifically Chase and Morgan, which were open during the occupation, and we had some indications that an examination of the records of the banks would give us some information that we really ought to have. It sort of parallels the Ford case, if you remember.

- 2 -

H.M.JR: I just didn't know what you people wanted me to do on the Ford case. I got a memorandum from you and White. It was on the Chase National Bank and the Morgan Bank.

MR. O'CONNELL: The memo merely suggested that we send someone to France to take a look at the banks.

MR. WHITE: Saxon would be a good man.

H.M.JR: That is all right. I am for it, and if Gamble is embarrassed, I can't help it. He has the Vice President of the Chase Bank in charge of New York State.

MR. C.S. BELL: I understand, unofficially, that Sam Klaus is on his way back; likewise Richardson, the man we just sent over, and also the State Department man. I haven't got the details. It hasn't reached the official stage, but I think Winant would feel better if they would all come back.

Olrich would like to move the Surplus Property branch to New York. That is where most of the business is, and we think it is a good move.

H.M.JR: Wait a minute. You are going to move Surplus Property to New York?

MR. C.S. BELL: Yes, sir - all but a nucleus office here. There will be about two hundred and fifty employees.

MR. O'CONNELL: They have more than that in New York now.

MR. C.S. BELL: No - well, that is the District office. This is the Washington office - departmental office.

H.M.JR: Why New York?

MR. C.S. BELL: He feels that most of the business is there that he will do, and the space problem here is rather acute. If you want them here, I can find the space for them.

- 3 -

MR. O'CONNELL: Space is the only reason I can think of, offhand, for going to New York. The operation is pretty decentralized.

H.M.JR: Well, the thing that interests me much more than where the Surplus Property is going to be located, is am I going to keep Surplus Property? I would like to settle that thing first.

MR. D.W. BELL: He wants to talk with you about that because of the situation on the Hill, and Clayton resigning.

H.M.JR: I mean, before I decide where they are, I want to decide whether or not I am going to keep Surplus Property.

MR. O'CONNELL: I can give you a report on that if it relates to Mr. Olrich. There are two things about Mr. Olrich's situation, one is that OPA is going to continue the suit that has been commenced against his company. They have decided not to settle the suit. Mr. Olrich has been out to Minneapolis and he told me yesterday - and he also talked to me on the phone from Minneapolis - that it looked as though the suit would probably drag along for a number of months before it got to trial because they have asked them for a tremendous amount of information. Mr. Olrich professes to be quite happy about that because he believes that will make it unnecessary for him to think further about leaving the Treasury and going back to his business. I think sometime if you have a chance this week he would like to talk to you, probably.

H.M.JR: What I would like to do is this, I would like to call up this fellow who is the head of OPA.

MR. O'CONNELL: Bowles?

H.M.JR: Yes - and say, "I took this man after checking with your organization and you said his company was all right. Now, it either is or it isn't. You have been fooling around with this thing for months, and I want to know."

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MR. O'CONNELL: We already have from OPA a pretty direct statement that there is nothing wrong either with Mr. Olrich or his company, because we checked with them before we hired him. At the time we were thinking of hiring him he told us he was in some difficulties with OPA and they advised us that although there might be litigation, that there was nothing discreditable about the company involved, and that Mr. Olrich was a perfectly fine fellow; and they told us specifically there was no reason why we should not hire him, and they have told us-- since we hired him and since the thing came into litigation they have reiterated that and indicated that even though they were not going to stop the law suit, there was no reason in the world why we should not continue to keep Mr. Olrich. And he now tells me, as I say, that he will be able to stay. He is apparently quite anxious to stay.

H.M.JR: Would you advise me to call up Bowles?

MR. O'CONNELL: No, I think the situation is better now than it has been at any time. The litigation will probably not come to a head for a number of months, and I think we are in a pretty good situation. I wouldn't do anything.

H.M.JR: Well, the thing I had in mind was this - I see that Clayton has resigned.

MR. O'CONNELL: Yes.

H.M.JR: And they are going to appoint a three-man board. If the President is looking for somebody, I don't know anybody better than Olrich.

MR. O'CONNELL: That worried me, too.

H.M.JR: But can I recommend Olrich to him with this suit of this company hanging over his head?

MR. GASTON: I don't see why not. It was a sheer difference of opinion about what the OPA regulations

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provided. Munsingwear people thought they were allowed a certain ceiling price; OPA thought they didn't allow those ceiling prices - that they were allowed lesser ceiling prices. It is just a difference of opinion about what the regulations meant.

H.M.JR: Well, I still say - I don't know how hard up they are, but I still think he is the best man around.

MR. D.W. BELL: I believe that Olrich is going to have to go because of this suit. I don't think he will have to go for many months, while the investigation is on, but when it actually gets before the court, I don't think Olrich will stay here, and I don't believe his Board of Directors will let him stay here.

MR. O'CONNELL: Of course, the case may never come to trial.

H.M.JR: Why don't they settle that thing the way you settle a tax case?

MR. O'CONNELL: There were no grounds to settle on. From the standpoint of the OPA, they have started a law suit. They think they are right and Mr. Olrich thinks he is right; the OPA enforcement people think if they settle that case it will ruin their case with the entire industry, and the more pressure that was put on them the more resistant they became to settling the suit. No question about that. Brownlee and Clayton and everybody in the place did all they could, and the more they pushed the more the enforcement people and their General Counsel, Mr. Field - the more adamant they became. And I can understand that. I mean, they felt that they would be letting their whole enforcement organization down, and that the entire textile industry would say this was a good case, but it was fixed because of Mr. Olrich. Now, that is what Mr. Field thinks, I am sure of that.

MR. WHITE: Why would it be fixed if it were fixed? You said that is what the people would think. What would be the facts of the case?

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MR. O'CONNELL: That would be the facts.

H.M.JR: Your advice to me is to leave it alone?

MR. O'CONNELL: Yes, sir.

MR. D.W. BELL: But Olrich does want to see you this week on the over-all policy. He says that now that they are going to set up the board and Clayton is resigning why you have got to consider whether you do want Surplus Property under this new board, because you are going to have very little to do with the policy.

H.M.JR: Where is Olrich?

MR. C.S. BELL: He is in town. He came in yesterday.

H.M.JR: I could see him at three o'clock and that would be Charles Bell, O'Connell, and who else?

MR. O'CONNELL: If we are going to talk about the legislation, I would like to have Tom Lynch here.

H.M.JR: Fine.

Has Olrich a first assistant?

MRS. KLOTZ: Yes.

MR. C.S. BELL: Atcheson, former Comptroller of Marshall Fields.

H.M. JR: Could you bring him over, or not?

MR. C.S. BELL: He has lived right with this whole program from the beginning. I think it might be a good thought.

H.M.JR: He might misunderstand.

MR. D.W. BELL: Leave it to him to bring somebody.

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H.M.JR: Yes, tell him he can bring any one or two people he wants with him. Then we will go into this question of location and whatever else.

MR. C.S. BELL: Yes, sir. You might want to know that WPB are going to relax their priority demands on possibly all items not direct war materials. That will have some bearing on Lend-Lease, UNRRA, and possibly Surplus Property.

H.M.JR: Do you know about that, George?

MR. HAAS: Yes.

MR. C.S. BELL: That will be in about another week. They will hold back on textiles and two or three other commodities.

That is all I have.

The four deferment cases--

H.M.JR: Do them right now.

MR. C.S. BELL: Three of them are very good cases.

H.M.JR: O.K. (The Secretary signs deferment applications of Reuben K. Barrick, Anthony Dougherty, and Hovey P. Gwin, Jr.)

MR. C.S. BELL: This case has been up before. Mr. Gaston and Mr. Wilson approved it. I didn't think so much of it. He is an attorney in the Internal Revenue Bureau. He is a pre-Pearl Harbor father.

MR. GASTON: He is Atkeson's assistant. They say they just can't get by on those statistics of income without him. I think that they are at fault for not trying harder to get a replacement a year or more ago, but the situation now is that it will put them in a very tough spot if they have to let him go - as I get from Norman Cann and also from Roy.

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MR. BLOUGH: Yes, I would like to support that, at least temporarily.

H.M.JR: How long are these deferments for?

MR. C.S. BELL: Six months.

H.M.JR: O.K. (The Secretary signs the deferment application of James R. Turner)

MR. C.S. BELL: That is all I have, sir.

H.M.JR: Could I just interrupt one minute? I might want to start something going on the telephone because I am pressed for time. Let me just switch one minute. What is the status of my War Bond speeches which I am supposed to make in October?

MR. GAMBLE: The George Haas shop has prepared basic material which both Fred and I have. Fred is working with Alan Barth on the speeches and they are not ready yet, Mr. Secretary.

H.M.JR: After all, I brought Barth in to help me, so I know his good points, which are exceptional. But I never would pick Barth to do this kind of speech.

MR. SMITH: No, he isn't trying to do the speeches, but we were talking about it one day last week and he got on a white horse about the wonderful job that War Finance was doing; when the history of the war was written, that would be a big chapter, and so forth, and it was all good stuff. So I asked him if he would like to just give me what he was saying, to give some lift to the whole business, then we will take that and let that be the excitement of the speech - I mean the melody, so to speak - and then we will put in all these facts and figures and make a good concrete speech out of it. He had it awfully good, and it was too bad to miss it. He has really got something to offer.

H.M.JR: Who is working on this, George?

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MR. HAAS: Well, sometime ago, right after Ted had seen you, we had a meeting in Fred's office and we were to put the idea as basic material, and we have done that, and Fred has been working on it.

H.M.JR: When was it, Gamble, you said we started on it? It must have been ten days ago.

MR. GAMBLE: Yes.

H.M.JR: Is there anything done now?

MR. SMITH: Oh, yes. We have the thing from George Haas' office which is very complete and very long. And you could see that if you wanted to and maybe get some ideas out of it. But I thought that the slant was a little wrong on it because it was more about holding prices down - I felt it was more about holding prices down than it was on the job the War Finance people had done. That is good as a secondary thing in the speech, but I don't think it ought to be--

H.M.JR: I mean, Barth had some ideas on this?

MR. SMITH: He has some ideas which he doesn't want to get into until he gets the other speech out of the way. We had no idea of giving Barth all this material and telling him to write a speech. But if he would sit down and give us two or three pages on the material he was talking about, which is purely emotional material, then we can use that to key the speech into.

H.M.JR: Who is going to write it?

MR. SMITH: Barth will do that, and then I will take over what Barth has got, and what George's office has turned in, and what Ted is going to add, and we will build the series of speeches around that.

H.M.JR: Well, I had an idea that I am not going to wait. I was thinking - I have four and a half hours going to Chicago and five hours coming back, and there

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are two people, Herbert, that I was thinking of that could really do this thing; one is this fellow that is working for the Chicago papers--

MR. GASTON: He is right here in the building - Robert Vanderpoel.

H.M.JR: What is he doing?

MR. GASTON: He is getting some fresh material - getting our angle on various things - taxes, and so forth.

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

MR. GASTON: I think he would give you some good general advice.

H.M.JR: The other man that made such a good impression is the man from the Christian Science Monitor.

MR. SMITH: Harold Fleming. I think he would come down and do it.

H.M.JR: I need somebody to just take a week and do it. There are four speeches to be done.

MR. GASTON: I think Van would probably--

H.M.JR: He works for Hearst, doesn't he?

MR. GASTON: Yes. He could take time out if you want him.

MR. SMITH: I don't know Vanderpoel, but I know Fleming, and I think he would do it unless he is terribly tied up, and he could do a good job.

MR. GAMBLE: I think Vanderpoel is a better man than Fleming. We have had them both. Fleming worked for us for awhile.

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H.M.JR: Of course, writing an article and writing a speech is something else again.

MR. GAMBLE: But we have some very good material that Murphy and the boys have turned out.

H.M.JR: I know, but somebody has to take this thing. Now, somebody is doing a wonderful job for Dewey.

MR. SMITH: That is chiefly Elliott.

MR. BELL: He is busy at the moment; we can't borrow him.

H.M.JR: But I want somebody that can take this stuff and I can talk to them and get something that is finished. But I haven't the time to sweat these things out myself any more. I haven't the time.

MR. SMITH: We can talk to Vanderpoel about it. That is easy.

H.M.JR: In the whole United States, this is different. This isn't emotional. "How we finance the war," is that what you want?

MR. GAMBLE: That is right.

H.M.JR: And I know what is going to happen, and I am not going to start on the trip - I told you I will not go on the trip unless the four speeches are finished before I start out. I am not going to put myself through this thing again. I told you that.

MR. GAMBLE: Yes, well, I agree.

H.M.JR: I am not going to start unless the four speeches are finished before I start out, and I said this ten days or so ago. I don't see why the first one shouldn't be finished now, but it isn't.

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MR. SMITH: We are still getting material.

H.M.JR: The thing should be finished. I mean, how long ago did it start? Is it two weeks?

MR. SMITH: I don't think it has been that long.

MR.HAAS: It was the day you left, I think - whenever that was.

H.M.JR: That was Saturday a week ago.

MR. GAMBLE: About eight or nine days ago.

H.M.JR: A hell of a long time. Well, why don't Gamble, Smith, and Gaston get together after this meeting? I would like to get some one person and take this thing - get a finished product after I have talked to them for an hour or two myself.

MR. GASTON: On the whole series?

H.M.JR: Yes.

MR. GASTON: Three or four speeches?

H.M.JR: Four. And if Barth has something that he wants to do, let him write a couple of pages, but he is not the man to do this kind of stuff.

MR. SMITH: We know that. That wasn't the point.

H.M.JR: Yes, but we haven't got somebody who can do it. Ted, I won't go out on this trip unless the speeches are done. If you can get the man, I am willing to take the person with me on the plane tomorrow. I will weed the stuff out. I have got four or five hours coming back. I will read it coming back and I will work with this fellow. He can have four or five hours of my time.

MR. GASTON: What do you think about George Albee?

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H.M.JR: No, this takes a fellow like Elliott.

MR. D.W. BELL: It takes a fellow like Bob Kintner. It takes a fellow like the man on the Wall Street Journal.

MR. GASTON: Gene Duffield.

MR. O'CONNELL: He is terribly busy.

H.M.JR: I mean I want Gene Duffield or Bob Kintner, or somebody like that.

MR. SMITH: Can you spring Bob Kintner?

H.M.JR: Oh, no.

MR. GASTON: He is just taking his new job as Vice President of the Blue Network.

MR. D.W. BELL: Could he, as an Army officer?

MR. GASTON: He is leaving the Army.

H.M.JR: Who?

MR. SMITH: Bob Kintner.

H.M.JR: He has just taken a fourteen-room apartment on Park Avenue.

MR. D.W. BELL: Phew!

MR. GASTON: Radio is a good game right now.

H.M.JR: Well, look, would somebody worry a little bit about this? Because if you want me to go, I am saying I will take this person with me; I will take Murphy's material with me; I will read it and I will study it, and I will talk to this person, and then this person can take the thing and write it, but I am not going to go through the same thing again. I won't even start on the trip.

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MR. HAAS: There is some material in that statement that our shop put together - I think there is some question of the advisability of your saying it, but I left it all there to see what it looked like in the speech.

H.M.JR: Well, I may take Henry Murphy on the trip, too.

MR. HAAS: He is the main source.

H.M.JR: I will take Henry Murphy and somebody - whoever is the best financial writer that we can get.

MR. HAAS: That is good.

MR. C.S. BELL: Do you think it would be possible to get John Crider?

H.M.JR: I wouldn't have him on the plane.

MR. HAAS: Take him up high and drop him!

MR. SMITH: That takes care of John Crider.

H.M.JR: Did you read his book "Bureaucrat"?

MR. C.S. BELL: I have it, yes, sir. I have all the references to you marked.

H.M.JR: Yes, they stink.

MR. C.S. BELL: In fact, I have an autographed copy.

MRS. KLOTZ: Which is one of the reasons we couldn't take him.

H.M.JR: Anyway, if you people want to go on this trip, would you please put your mind to it?

MR. GAMBLE: Yes.

H.M.JR: There must be somebody. What is the name of this bond man in New York - Government bond fellow?

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MR. D.W. BELL: Chris Devine.

H.M.JR: Yes. Who do you suppose put that book together for him on the Government?

MR. C.S. BELL: He has a fellow there that does that.

H.M.JR: Wasn't that well put together?

MR. C.S. BELL: Very well, but it is largely factual material.

MR. GASTON: We might be able to get you ^{Sylvia Porter} ~~some~~ reporter.

MR. WHITE: Take her on the plane.

MR. D.W. BELL: That eliminates Murphy! (Laughter)

MRS. KLOTZ: Don't think she wouldn't do a good job!

MR. GASTON: She simplified the tax law, of course. None of her simplifications meant what the law meant, but it was simple, just the same.

H.M.JR: If I took anybody I would rather take Mable Newcomer!

MRS. KLOTZ: Oh, Mr. Morgenthau, I would love to answer that.

H.M.JR: Anyway, I want something this afternoon - some suggestions that I can pass on, if you please. But you can do that now, the three of you, please - that is, if I am to go.

MR. GAMBLE: You are all booked.

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H.M.JR: I am not going to start, and I am willing to work on the plane out, and I am willing to work on the plane back. I don't want to do what I did with those two men I took from here on the plane half way down to Texas and then I gave three hours of myself, and then I got to Los Angeles and paced the streets of Los Angeles because I didn't have something. I mean, I poured myself out to those two men, and I am not going to go through it again. There must be somebody, if I give that much time, who can give me a finished product.

MR. SMITH: It is a little easier imagined than found, but we will do our best.

H.M.JR: O.K. Herbert, will you, Gamble, and Smith get together?

MR. GASTON: Yes, indeed.

MR. D.W. BELL: The Bankers Committee is here and some of them are leaving tonight and I should think that you might want to see them as a courtesy, today. Whether they will be ready to report, I don't know.

H.M.JR: Four o'clock?

MR. D.W. BELL: Yes.

Next week we have a refunding of the three and a half billion dollar certificate maturing on October 1.

I would like to suggest a different procedure for announcing it this time. Heretofore we have announced in the morning that the books are opened, and then leave the books open three days, and we had some complaint on the last one because there wasn't enough time.

I would like to announce it tomorrow morning that the books will be opened on Monday of next week and this can go to the banks, and then on Monday the banks will get the circular.

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H.M.JR: Is that a rolling over?

MR. D. W. BELL: Yes. And that will give them a whole week's notice, plus three days of the books being opened. If you approve that, we will let it go tomorrow morning. This is the circular.

(Secretary signs Circular No. 752.)

H.M.JR: What else do you have?

MR. D. W. BELL: That is all I have.

H.M.JR: If I get time between now and eleven, I want to meet with this group that works with me on this German business.

Harry?

MR. WHITE: There is a letter that you want to consider signing in answer to Kung. Now, whether you want to handle that purely by letter, or whether you want to get him down here, is something that you will want to decide in handling the letter.

H.M.JR: I would much rather do it by letter. I sent it back to you, but I would like General Clay and General Carter to initial it.

MR. D. W. BELL: General Carter is in Europe.

H.M.JR: Well, that was a courtesy. It is really Clay.

MR. WHITE: The men have reworked the Directive with the Army, and the results, I think, are very good.

H.M.JR: Did you see Eisenhower's statement in the paper this morning?

MR. WHITE: I saw a reference in the Times to the conditions under which he was going in, but it wasn't a copy of the Proclamation, if that is what you are referring to.

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H.M.JR: For my records, could we get a true copy of what he said and what relation it has to his Proclamation? I would like a little explanation of what he did.

MR. WHITE: I didn't think that was the Proclamation, but I will be able to get it.

H.M.JR: Will you get it and give me a little memo explaining where it fits into the picture?

MR. WHITE: Yes, we will get it; it may take several days.

MR. D. W. BELL: I thought that was just an informal statement that he made, a sort of press release. I doubt if he had had approval of the Proclamation from here, because it was late Monday--late Saturday when Jack McCloy called me up and told me that he had had an urgent telegram from Eisenhower to approve the Proclamation. They had dropped out only that part of the first paragraph which referred to treating Germany as the other liberated countries, and they did not put in anything about obliterating Naziism and militarism in Germany, and they gave some excuse as to why they couldn't change it. It was too late. We were well into Germany, and the Proclamation had to be issued. So we told him Saturday evening that you had sent over the draft of the first paragraph as a suggestion, and if it wasn't accepted, it was too bad. We hoped to get it.

Jack sent a cable back--he said he would send a cable back--that if it was imperative to issue it, go ahead, but he saw no reason why the obliteration of militarism and Naziism shouldn't be added at the last sentence, and it wouldn't cause much difficulty. But if they didn't get it in, they were to go ahead and issue it, but we would like to have it considered for later issue when they got deeper into Germany. He said that was the type of cable he would send. We did not see the cable. I am sending you a memo on it.

H.M.JR: Just to digress a minute, you (Gaston) might find out who the financial editor of the Chicago Sun is.

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MR. GASTON: Yes, I will ask. Is he good?

H.M.JR: I don't know, but they started out with fine people.

MR. GASTON: They started out with a sour financial editor who had been the former editor of the Chicago Journal of Commerce. He was a terrific reactionary with a straight Chicago Tribune point of view. They have somebody else in his place.

H.M.JR: I was thinking of somebody who would be sympathetic.

MR. GASTON: Hanna was terrible.

MR. WHITE: I don't know who the man who writes for the Journal of Commerce is, but many of the things he writes are very well done.

MR. SMITH: He is a she!

MR. GASTON: You mean your Journal of Commerce.

MR. D. W. BELL: You don't mean the reporter out of here.

MR. WHITE: I don't know who he is.

MR. SMITH: Are you talking about the Bretton Woods... stuff?

MR. WHITE: She wrote on that, too.

MR. SMITH: That is a girl.

MR. BLOUGH: I won't recommend her for a dog catcher.
(Laughter)

MR. D. W. BELL: I don't think she knows the first thing about it.

MR. WHITE: I didn't know it was she.

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MR. D. W. BELL: Do you know Kuhns who is editor of Banking? He is the secretary of this committee that is in town for today and tomorrow.

MR. GASTON: No, I don't know him.

H.M.JR: I have to get a fellow who is going to write these speeches, and I want somebody who is going to write for Roosevelt.

MR. D. W. BELL: I don't know about him, then.

MR. GASTON: Vanderpoel writes very well. I don't know about his speech-writing, but he expresses himself very well. At one time he wanted to know if I couldn't suggest something that he could get during this campaign so he wouldn't have to stay on the Hearst paper during the campaign. He wanted some job.

H.M.JR: Mr. White?

MR. WHITE: I was speaking of that Directive. Now, I think it is in very good shape. Whether you send your copy, you will want to glance through it. But this is an important document.

H.M.JR: I will meet with you gentlemen--I will set a time right now; I don't know of anything more important. I will meet with you people at three-thirty--those that worked with me on the German thing.

Harry, if you don't mind at that time, just having that group who have worked on that so-called black book--if they could step in here a minute, I would like to see them.

MR. WHITE: I will have them here at the beginning.

H.M.JR: I mean the ones who helped prepare what I call the black book.

MR. WHITE: I understand. The memorandum from Stimson which you may or may not have had time to read--

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H.M.JR: I have it, but I have not read it. Could we let all of that go until three-thirty, please?

MR. WHITE: Yes.

H.M.JR: Well, as a matter of fact, Olrich is coming at three, and fifteen minutes is plenty. Let's make it three-fifteen, because this thing will take longer.

MR. WHITE: Now, Herbert will want to raise at this time or some other time today the question of Aldrich's statement, because Senator Wagner called Luxford this morning. I don't know whether Luxford had an opportunity to speak to you. It has put quite a different face on the situation. I don't know when you are going to discuss that, but it needs to be considered.

H.M.JR: I would just as leave settle it now.

MR. GASTON: Well, one of Wagner's secretaries called Luxford this morning and said that he understood we were preparing in the Treasury something for Wagner to use on the radio. The Senator said that it must be on a very high plane and must not have any politics in it at all. I can't understand how that would meet Porter's needs.

H.M.JR: After all, the thing to do is to meet the fellow who is going to make the speech. Did anybody take up the suggestion of trying to get Ned Brown to answer him?

MR. GASTON: Nothing has been done about it. I thought I would talk the whole thing over with you today.

H.M.JR: Herbert, I won't have time. You people will have to handle it. You are chairman of that committee with power to act. I just don't have time.

MR. D. W. BELL: Ned is here.

MR. GASTON: Is he?

MR. D. W. BELL: He is in room 218.

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MR. GASTON: I have two questions: Do we want to string along with Paul Porter and let him use this as a campaign issue? The other question is, how do we want to answer that if we don't do that?

H.M.JR: Mr. Gaston, you are chairman of the committee, and the committee has power to act without referring it back to me, if you please. The committee is what--White, Smith, Gaston, Luxford: O.K. You might let me know what you do.

MR. GASTON: Yes.

H.M.JR: Harry?

MR. WHITE: That is all.

H.M.JR: The thing up at Quebec, all together, was unbelievably good. And as far as I went personally, it was the high spot of my whole career in the Government. I got more personal satisfaction out of those forty-eight hours than with anything I have ever been connected with.

The thing that we have been working with here, with regard to the attitude towards Germany--the Treasury viewpoint was wholly accepted, and so it was, that thing that everybody here worked on so hard was accepted, and the President put it this way: He said he had been groping for something, and we came along and gave him just what he wanted. But I don't know how they are going to announce it or what they are going to do about it. I was amused. I think it was yesterday afternoon that I saw this article about KUH from London complaining about the things we hadn't done, and everything he was complaining about has been done. Then in the next column was this article by Robertson, that nothing important had come out of Quebec. But, on the other hand, this is interesting, just to show you how things do get around: My cousin, Professor Goodhart, is here from Oxford. He attended a meeting which this editor of Fortune attended, Russell Davenport, and Davenport knew about everything that I have been doing. He said that I have been spearheading this thing and knew what my position

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was in regard to the Ruhr, and he knew the whole story. And Goodhart, whom I had shown the black book to, said he couldn't take part in the situation because I had made it such a secret, and he said, "Here was Russell Davenport discussing the whole business at a little dinner in New York."

MR. PEHLE: Critically?

H.M.JR: No, but just that I was spearheading and carrying the ball on this matter. He didn't say he was critical, but he had the facts in regard to the Ruhr.

MRS. KLOTZ: Is that good or bad?

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

MR. PEHLE: It is inevitable.

H.M.JR: But Goodhart thought they most likely got it from the English, because the English know everything that is going on here.

MR. SMITH: I was going to say that I ran into John Lord O'Brian at the Metropolitan Club, and he had the whole story. He is a close friend of Stimson's, and he might have gotten it from him.

MR. D. W. BELL: Bob McConnell said that he was up there the other day, too, and somebody mentioned it sitting at the table, what the Treasury is trying to do, and said it was quite obvious that this whole group of Army officers were discussing this very subject, and no doubt the Treasury's program and plans were mentioned and discussed.

MR. O'CONNELL: A copy of the Treasury program went to OSS, for example - I understand from the Army or some place. At least, Joe DuBois told me yesterday--

MR. PEHLE: From State.

MR. O'CONNELL: Didn't you know of that, too, John? In any event, I think it is inevitable, as John says.

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H.M.JR: Well, the only point that I was making was he couldn't understand, knowing I was there and so many people knowing this, that nobody had written anything about it.

MR. D. W. BELL: It is bound to come out right soon, because there must be a hundred people around town who know it in the three Departments.

H.M.JR: There are four - Hopkins, too.

Well, anyway, I know it is inevitable, but I think it is interesting.

MR. GASTON: I think Steve Early probably controlled what was written out at Quebec.

H.M.JR: Completely! Steve was very pleased. He concocted this idea of this press conference and throwing the whole thing on the Pacific just at this time. It has already borne fruit.

MR. BLOUGH: I think there are a few news notes as to what is going on, which I won't bother you with here unless you want to take the time. I can send you a short memorandum on it.

H.M.JR: Well, I have got to do something on this tax business. I want a couple of hours with you.

MR. BLOUGH: They are at your disposal any time you have the time. I think the question should be raised as to whether any public statements are to be made between now and election time. I haven't been able to see any percentage in it, but there may be, and I think the question ought to be thought about so that somebody won't come around and say, "Why aren't you thinking about it?"

H.M.JR: If these people don't find somebody to go with me to Chicago to work on the trip, you see, I will take you, and you can bring me up to date on taxes. So when you go home you might pack an overnight bag.

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MR. BLOUGH: When is this trip?

H.M.JR: Late tomorrow afternoon. Tell that to Henry Murphy, too.

MR. BLOUGH: They will undoubtedly get somebody, but I will be prepared.

H.M.JR: You like those trips?

MR. BLOUGH: Oh, yes, I am delighted to do it.

H.M.JR: I wouldn't be in the plane three or four hours and not do it.

MR. BLOUGH: I would very greatly welcome the opportunity to take that time to go over taxes, I assure you.

H.M.JR: Bring down a toothbrush. Otherwise it will have to go until next week.

MR. BLOUGH: The news notes are not too important. They can go until next week.

MR. PEHLE: Do you remember Ambassador Gerard wrote to the President about something he thought was politically important? We prepared a memorandum from you to the President which you sent, and it apparently didn't strike the right note with the President. He came right back and asked again. We have an answer which nobody is happy about, but I think it is inevitable, and that is to tell them that you can't give him material which he could use for this purpose without an investigation which we haven't any authority to make.

H.M.JR: Give whom?

MR. PEHLE: The President. The facts are very complicated, and not at all clear, and they had never come out in litigation. The issue is an old one. I don't think it is politically important, anyway, but he won't like that, and none of us like it, either. (Hands Secretary letter addressed to Ambassador Gerard.)

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H.M.JR: O.K.

MR. PEHLE: That is all.

H.M.JR: Now, you have made all the arrangements for the two ladies going up tonight?

MR. PEHLE: Yes, sir.

H.M.JR: Have you been?

MR. PEHLE: No, I haven't.

H.M.JR: You are not going this time?

MR. PEHLE: No, I was going before this, but the German thing got hot. But all the arrangements have been made, and I wrote Mrs. Morgenthau a couple of days ago and give her the last word. We went ahead with the fruit-picking thing.

H.M.JR: What did you do?

MR. PEHLE: We gave the War Relocation Authority permission to let them out during the daytime to pick fruit.

H.M.JR: The apples are there for everybody. They were only picked yesterday. They may be a little bit on the unripe side, but at least they are sound, anyway. And they have that flavor that we were talking about that they haven't got in Oregon.

MR. GASTON: Says you!

H.M.JR: I am excluding the Willamette Valley. Do you know there is the first white man born in Willamette Valley sitting right there?

MR. GASTON: Not quite. My mother was the first white girl born in Western Oregon.

H.M.JR: How far did we get? We got as far as fruit pickers.

Mr. Haas?

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MR. HAAS: We have that material on cutbacks in relation to Government expenditures. It is in the chart room.

H.M.JR: All right.

MR. HAAS: I called Marvin Jones and went into this question of this food surplus. There are tons of food, and also two billion dollars is required to maintain parity on farm prices. I have a memorandum here. The two billion is just the addition in borrowing power. It is really a six billion dollar job. (Hands Secretary memorandum entitled, "Food Surplus Problem After Defeat of Germany.") That is all I have.

Do you want to go over this whole finance business sometime?

H.M.JR: What I am going to do is this: I am going to meet Mr. Gamble in the chart room at eight-thirty tomorrow morning, at which time you can give me this whole publicity layout. Will you do that, please?

MR. GAMBLE: It is in the chart room now.

H.M.JR: I will be here at eight-thirty tomorrow morning, so you can go to bed early. Have you seen it?

MR. D. W. BELL: No.

H.M.JR: Will you be here?

MR. D. W. BELL: I will try to.

H.M.JR: Can you give me what my program is in Chicago?

MR. GAMBLE: Yes. We have set up this luncheon of about eight of the War Finance people, Hap Young and a couple of his associates. We have set the luncheon for twelve forty-five.

H.M.JR: Yes.

MR. GAMBLE: I wanted to ascertain from you whether or not you wanted our people to meet the plane, or anything you would like for them to do prior to that.

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H.M.JR: No, thank you very much.

MR. GAMBLE: Fine. Then I will give you a note on where the luncheon is to be. I will give it to you this afternoon.

H.M.JR: Now, what about Boston?

MR. GAMBLE: I have done nothing about Boston.

H.M.JR: I am available Saturday.

MR. GAMBLE: I will set it up.

H.M.JR: We will do this other thing tomorrow morning.

MR. GAMBLE: Fine. That is all I have, sir.

H.M.JR: On the financing, I am here all next week.

MR. HAAS: Oh, that is fine.

H.M.JR: Then I am hearing from the bankers this afternoon?

MR. D. W. BELL: Yes, you have the book on it, I take it.

H.M.JR: I know. That doesn't mean anything.

MR. SMITH: I have your map and chart. (Hands Secretary Gallup Poll charted for September 17.) This is the Gallup Poll of September 17. As of the 17th, two or three days ago--this is current up until then--all of these black States Mr. Roosevelt has with a reasonably comfortable margin. He has fifty-four percent or more of the votes. On these heavy cross-hatched ones--these are questionable; they belong to either Dewey or Roosevelt, but the margin is very small. They run from forty-seven percent to fifty-three percent for Roosevelt. Whichever way these sixteen States go, the election will go.

MR. GASTON: You don't mean Maine is in that classification?

MR. SMITH: Yes, Roosevelt has forty-seven percent in

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Maine. These light ones are Dewey's, and they are in the bag for Dewey pretty well.

Now, adding that all up, we have nineteen States with a total of one hundred and ninety electoral votes that Mr. Roosevelt has pretty safely. There are sixteen States with a total of one hundred and ninety, the same total, that are questionable.

H.M.JR: Does that mean that Roosevelt has over fifty?

MR. SMITH: No, the way these things are cross-hatched-- I will give you the other tally. The way these things are laid out, everything in which Mr. Roosevelt has from forty-seven percent to fifty-three percent--and that means that he will have some of them, and Dewey will have some, but they are dangerous, like Oregon; they could switch one way or the other.

MR. GAMBLE: Oregon and Oklahoma have been completed since the 17th, and they are both in the Roosevelt column.

MR. SMITH: Now, Dewey has thirteen States in the bag and a total of one hundred and forty-eight electoral votes. If you take all of the States and give them to whichever has the edge as of today, no matter how small that edge is, that totals up to giving Roosevelt two hundred and ninety-two electoral votes and Dewey two hundred and thirty-six.

H.M.JR: How many does he need?

MR. SMITH: Two hundred and sixty-six.

If we were to freeze it the way it is now, that is what they have. As I say, just a small part of these questionable States going one way or the other can throw the election.

Now, between August 23 and September 17 they have gotten reports on six of these States, California, Idaho, Iowa, Michigan, Nebraska and Oregon, and all five of the current

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reports since the 23rd report have changed toward Mr. Roosevelt one or two percent. It is very small, but it is constantly adrift. And the two percent in Oregon took Oregon from Dewey's column and put it in Roosevelt's column. And that is the situation as they stand.

H.M.JR: Why does he get something more recent?

MR. GAMBLE: It just came out in the paper, Mr. Secretary. It was in the paper yesterday; the Gallup Poll finished two States. They finished Oregon and Oklahoma and then didn't have it finished when this map was made. They finished them one or two at a time. The Oregon figure went from fifty-three percent, I think--

MR. SMITH: Oregon went from forty-nine percent for Roosevelt to fifty-one percent.

MR. GAMBLE: They announced it--

H.M.JR: Where do you get your information, Fred?

MR. SMITH: This was the most current stuff we got direct from Gallup. Now, you are supposed to get all of these polls ahead of publication. We haven't gotten them yet, but he said he would send them to you.

H.M.JR: Don't you know Gallup?

MR. SMITH: Yes, I have talked to him. He is willing to send them out, but he hasn't started yet.

H.M.JR: Where was this made?

MR. SMITH: Upstairs. We will keep that current as soon as we get additional changes. That is just an interesting thing Gallup sent (Indicates chart on political thinking by Gallup in Washington Post, September 3.) which shows Roosevelt has lost the support of workers consistently. He has gained the support of businessmen, strangely enough, since 1940, and the professional people are up a little bit. White collar people are the same.

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MR. D. W. BELL: How about the farmers?

MR. SMITH: They are not listed, but the workers have gone consistently down from seventy-four percent to fifty-nine percent as of today.

MR. O'CONNELL: Would it be possible to relate this particular situation and the time element to the situation as it existed in 1940? My recollection is that at about this stage of the game in 1940 the picture was almost as now, at least as far as the poll showed it was almost a fifty-fifty proposition until about the first of October, and then the swing that has been evidenced in the last few days in those five States you mentioned developed along about the time the President made a couple of speeches. If the Gallup Poll around the latter part of September '40 showed something like that, it might be interesting.

H.M.JR: This is good, Fred. This is what I wanted.

MR. SMITH: It makes it perfectly clear that what the Democrats ought to do is set some commandos busy in the bulk of those sixteen States and spend most of their money and effort and they could throw the election.

H.M.JR: O.K.

MR. O'CONNELL: There are a couple of things I would like to mention. Joe DuBois has been trying to get a vacation since last spring. He is always called back. I would like to let him go away Wednesday or Thursday for a week or so.

H.M.JR: What do you call that trip to England?

MR. O'CONNELL: He doesn't consider that a vacation, and I wasn't there.

H.M.JR: O.K., sure; he has earned it.

MR. WHITE: I was there. It was no vacation.

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MR. O'CONNELL: I had discussions with State, Army, and Navy, particularly. We have been meeting in connection with our German program. We have been meeting resistance on a rather unexpected level. There is apparently a school of thought that believes we are substantially ham-strung in connection with such things as war crimes and what you do in Germany by international law, so called, and if it is agreeable to you, we are working on a memorandum to you, debunking that proposition, because it is the most completely phoney thing, I think, from a legal standpoint of anything I have so far heard of. The argument runs--

H.M.JR: May I interrupt you? I don't know whether you know Professor Goodhart's position in England. He is the editor of the Law Journal. He has done a lot on this very subject about whether you can shoot them on sight. I hope to get him down here next week. He has done a lot. And he belongs to the school of thought that you can.

MR. O'CONNELL: I would like to see it. That is what we think, too. In any event, we are trying to write you a readable memorandum debunking that legalistic position.

H.M.JR: Stimson takes that view.

MR. O'CONNELL: It is a disgrace to the legal position to me, because it is essentially an unlegalistic approach to the problem applying domestic constitutional principles to a world situation which has nothing in common with it.

H.M.JR: Churchill pulled one last night. They were talking about Teheran. It seems there is a slogan of the Communist Party; it was about no annexation when they first started out. They got into this argument, and Mr. Churchill said, "How can you, Mr. Stalin, as a member of the Communist Party change now, because you are asking for Latvia and Lithuania, when this was the original slogan of the Communist Party?"

Stalin said, "I have joined the Conservative Party, and on that basis we are going to take the Baltic States."

I am glad to hear you are making that study.

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MR. O'CONNELL: We will have it in a few days.

Do you want to say anything about the article that appeared in the papers attributed to the investigator for the Dies Committee? It appeared on yesterday's ticker; then we got through the press section a statement of what he actually said and we then prepared an informal release which we gave to the newspaper people late yesterday afternoon, but it did not make any of the early morning papers.

H.M.JR: No New York paper carried it, except the Hearst paper.

MR. O'CONNELL: That was the most garbled of all.

H.M.JR: Am I all right?

MR. O'CONNELL: I wouldn't worry at all. I think if the newsmen were to ask you if you did see eye to eye with Mr. Stripling, start off by saying you do not see eye to eye with the Dies Committee. I think you could very generously admit that if the newspaper men ask you. I mean, I would not dignify it. It isn't the Dies Committee as such; it was a statement that Stripling put out in connection with an inquiry I made of him as to whether the Dies Committee is investigating Hillman and his PAC. In his statement he sounded off a bit about the fact that the Department had refused to give them tax returns, and then made it clear that that had nothing to do with the inquiry with respect to Hillman and PAC. He was really throwing a red herring out, and I believe it will die of its own weight.

H.M.JR: Is Fred Smith familiar with the background?

MR. SMITH: Yes.

MR. O'CONNELL: And he wrote the statement that we gave to the newsmen yesterday afternoon.

H.M.JR: What else?

MR. O'CONNELL: That is all I have.

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MR. GASTON: I am scheduled to make a speech before the Christ Church Forum tomorrow night in New York.

H.M.JR: What is the subject?

MR. GASTON: Our interest in world prosperity. It brings in Bretton Woods--talks about international trade after the war. Would you like to see it?

H.M.JR: Yes.

MR. GASTON: You don't need to. I was planning to go up to Albany.

H.M.JR: To register?

MR. GASTON: In connection with the rights of citizenship the next day.

H.M.JR: Fine. I hope all of you do register.

MRS. KLOTZ: We want to.

MR. D. W. BELL: Mr. Secretary, I forgot to mention that George Barnes who is a Treasury employee of some forty years, an assistant to the Treasurer, died last night. Will it be all right to issue a press statement?

H.M.JR: Sure.

Did Charlie Shaeffer go to Chicago?

MR. SMITH: Yes, he is there now.

H.M.JR: I am going to work alone with Barth because I can work that way better, and then I hope this afternoon and this evening we will finish.

MR. SMITH: You don't want any reception in Chicago, do you?

H.M.JR: Where?

MR. SMITH: When you get off the plane?

H.M.JR: No, don't tell anybody when I am coming. I won't tell anybody when I am leaving. Thank you.

Why is this not dated 166?

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

1/mj
DATE 9/19/44

TO Secretary Morgenthau

FROM Mr. Haas

Subject: Food surplus problem after defeat of Germany

In response to your request of September 11 for additional information on the food surplus problem envisaged by Mobilization Director Byrnes after the defeat of Germany, I talked with Food Administrator Marvin Jones by telephone. He referred me to Deputy Administrator Lee Marshall as a man who is familiar with the details of this problem. A discussion with Mr. Marshall yielded the following information.

After the defeat of Germany, food procurement for the armed forces can be cut back about 50 percent, and reserves of food held by the Army in Europe as well as those held by the War Food Administration can also be sharply reduced. The best guess of the WFA, which is necessarily a rough approximation, is that the 50 percent procurement cutback will release for other uses about 4 million tons of food a year, while the reduction in reserves will yield another 4 million tons. Some officers representing the armed services think these estimates may be too high. No estimates are available by commodities.

This means that in addition to the cutback in army purchases next year (after the defeat of Germany), food procurement in this country for relief of liberated countries will probably be rather small. The released army food reserves can be diverted to that use, and in addition, British civilian food reserves, which had been heavily built up because of submarine activity and other factors, can be reduced after the defeat of Germany, which will release perhaps 2 million tons for relief purposes. Relief needs, in fact, may be less than anticipated, judging from conditions in France.

Farm price support

This situation poses the problem of appropriations to carry out commitments to support farm prices under the Steagall Amendment, in case the food surpluses should depress farm prices. Director Byrnes had mentioned that up to 2 billion dollars might be needed for this purpose. We inquired as to how this estimate had been arrived at, and which products would be most likely to require support. Mr. Marshall

- 2 -

brought out a confidential table showing rough estimates by commodities of the amounts that may be required. A copy of this table is attached, together with a letter to you from Mr. Marshall explaining some of the considerations involved in the estimates.

Apparently no specific program has been worked out yet for disposal of surpluses acquired by the Government under the support program, but Mr. Marshall mentioned searching out markets abroad, using foods for relief and for school lunch programs, using the food stamp plan for increasing the domestic consumption of surplus foods, and developing new uses. Owing to our relatively high price levels it is doubtful that many surplus foods could be exported except at a loss, a difficulty which was recognized in Mr. Byrnes' report.

Mr. Marshall personally does not think the problem of disposing of surpluses in the coming year will be a serious one (though he says others in the office do not agree), since there are many outlets for foods among the hungry nations of the world. He went down the list and did not find any product that he thought would be hard to dispose of. On the other hand, he is very seriously concerned, as are others in the WFA, about the surplus problem that will arise when other countries get back into production. While we should be cutting back our production to a peace-time demand level, there is no assurance that this can be accomplished while the Steagall Amendment requires that farmers be paid incentive prices (90 percent of parity).

The Kiplinger Letter last week mentioned that Congress is becoming concerned over the probable cost of supporting prices under the Steagall Amendment, and suggested the possibility that the obligation may be partially avoided by appropriation of inadequate funds. Another possibility mentioned, which would tend to reduce the initial costs as well as to prevent the perpetuating of farm surpluses, was the suggestion that the support program might be strictly tied in with a crop reduction program.

WAR FOOD ADMINISTRATION
OFFICE OF DISTRIBUTION

Washington 25, D. C.

60933



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

Dear Mr. Secretary:

This is with reference to my discussions with Messrs. Haas and Daggett of your office in connection with the report submitted to the President by the Director of War Mobilization on September 7, 1944. The figures used emanated from this office and although reasonably accurate, we find that there is a difference of opinion in the military organizations with reference to the conclusions reached. Some officers expressed the opinion that surplus after V-E Day may not be as high as indicated.

With reference to the principal subject in which you are interested, viz., additional funds needed for support of farm prices under the Steagall Act in which the report mentioned the need for an appropriation of two billion dollars in 1945, I am enclosing herewith an estimate drawn up for presentation to the Budget Bureau covering the estimated increase in borrowing power required to meet obligations for the period July 1, 1944 through December 31, 1945 for the Commodity Credit Corporation. I made clear to Messrs. Haas and Daggett that these are very rough estimates and, therefore, are for your use only.

All the uncertainties attending the growing of crops are inherent in making up such figures. Our experience during the war can be used as a guide but certainly cannot be taken as a criteria of the amounts needed in the case of each of these categories of farm commodities, foods and fibers. Principally, of course, for the reason that during wartime we had a definite need for the principal products grown, whereas after the war's end, or partial ending, it may be difficult to dispose of many of these commodities so readily. The larger amounts, particularly eggs, hogs and dairy products, will be an unknown quantity until the problem is actually met but we are guided by some of our experiences in the past.

Needless to say, all those responsible in the War Food Administration for estimating requirements and establishing goals will work very carefully toward arriving at the proper balance in determining acreages and production. This subject is having our most careful attention especially because of uncertainties brought about by changes in the strategic military situation.

Sincerely yours,

Lee Marshall
Director

WAR FOOD ADMINISTRATION
COMMODITY CREDIT CORPORATION

Estimated Increase in Borrowing Power Required to Meet Obligations
For Period July 1, 1944 through December 31, 1945

(THOUSANDS OF DOLLARS)

<u>Programs</u>	<u>Estimated Requirements for period</u>	<u>Estimated Collections and Liquidations for Period</u>	<u>Net Expenditures and Obligations for Period</u>
Loans and Purchases:			
Corn	119,000	103,000	16,000
Cotton	573,000	264,000	309,000
Tobacco	295,000	218,000	77,000
Wheat	1,200,000	575,000	625,000
Barley, Rye and Grain Sorghums	32,000	5,650	26,350
Flaxseed	35,000	8,800	26,200
Hay and Pasture Seeds	2,000	1,000	1,000
Oilseeds and Products	556,640	305,440	251,200
Fats and Oils (from FEA) ^{1/}	13,500	-	13,500
Butter and Cheese ^{1/}	76,000	-	76,000
Hemp and Milkweed Floss	20,000	10,000	10,000
Sugar	256,000	339,300	(83,300)
Wool ^{1/}	130,000	-	130,000
Egyptian Cotton	-	10,000	(10,000)
General Commodities Purchase	360,000	623,000	(263,000)
Miscellaneous Programs	16,200	11,960	4,240
Fruits and Vegetables	350,000	325,000	25,000
Irish Potatoes	197,000	36,000	161,000
Sweet Potatoes	39,505	22,425	17,080
Dried Beans	37,800	24,950	12,850
Dried Peas	33,750	23,750	10,000
Rice	37,530	20,250	17,280
Vegetable Seeds	24,500	13,500	11,000
Eggs	573,417	107,089	466,328
Poultry	180,900	21,600	159,300
Honey	648	558	90
Fish	1,500	200	1,300
Hogs	575,000	100,000	475,000
Subsidy Programs:			
Fruits and Vegetables	45,150	-	45,150
Irish Potatoes	3,500	-	3,500
Sweet Potatoes	800	-	800
Dried Beans	4,850	-	4,850
Dried Peas	60	-	60
Cheese	11,300	-	11,300
Dairy Production	401,000	-	401,000
Fluid Milk Payments	14,000	-	14,000
Peanut Butter	14,400	-	14,400
Carrying Charges and Operating Expenses	150,000	-	150,000
Loans to WFA	50,000	60,000	(10,000)
Total	6,430,950	3,230,472	3,200,478
Funds Available:			
Cash		236,672	
Available Borrowing Power	1,395,667		
Less: Amount Necessary to Purchase Notes Held by Banks	393,875	1,001,792	
Total Funds Available			1,236,454
Increase in Borrowing Power Required			1,962,014
^{1/} Revolving Funds.			

CONFIDENTIAL

Regraded Unclassified

September 19, 1944

My dear Mr. President:

I don't know whether anybody is following the Gallup Poll for you by states, but if they are not I thought the enclosed map would be of interest to you. I am proposing to keep it current. Would you please let me know if you would like me to continue to send you revisions of this map as they come in.

I am also sending you a chart sent to me by Gallup showing "Vote for Roosevelt by Occupation Groups". May I draw your attention to the fact that the number of business men who propose to vote for you has increased from 34 to 37%.

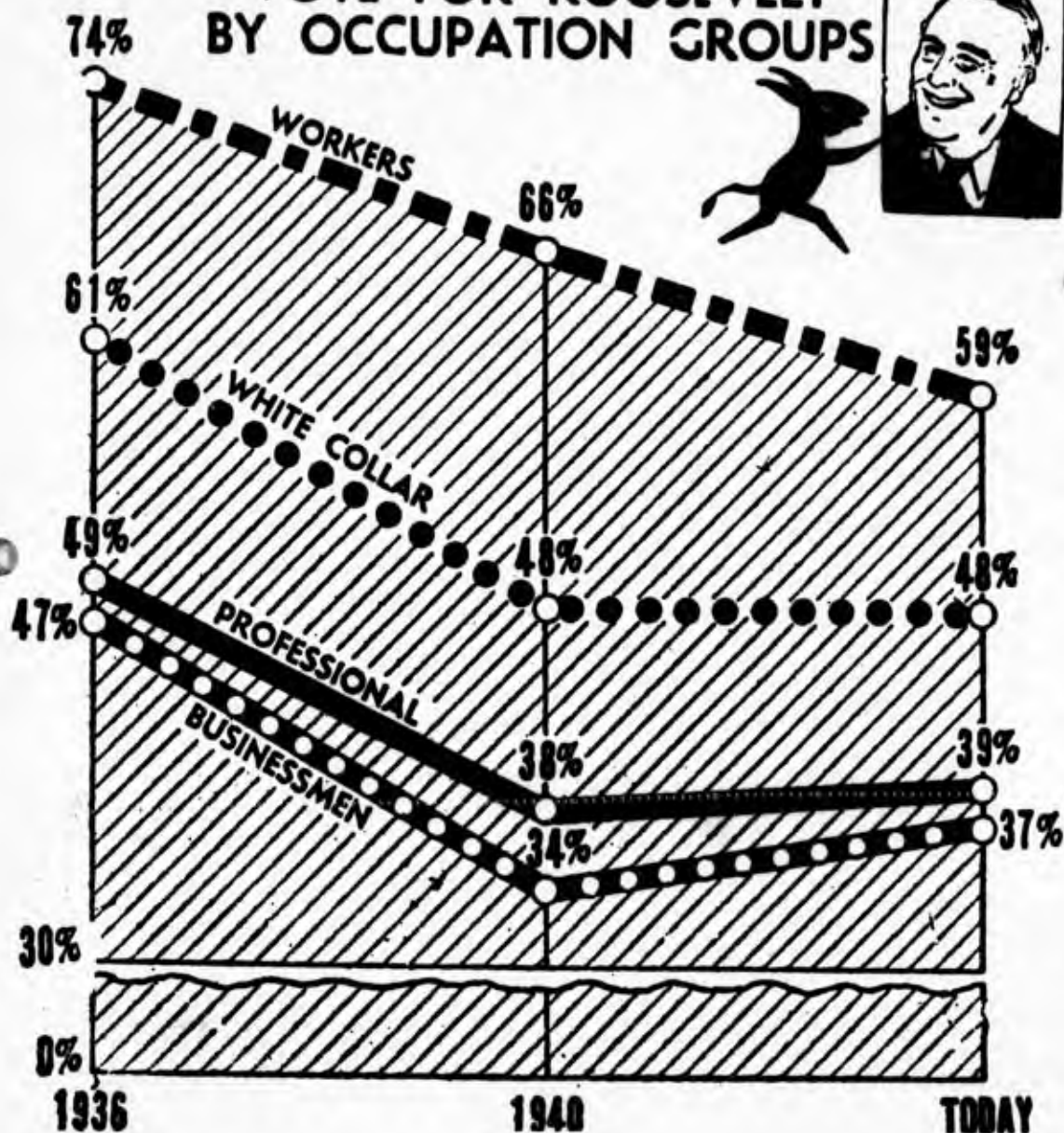
Yours sincerely,

(Signed) Henry

The President,

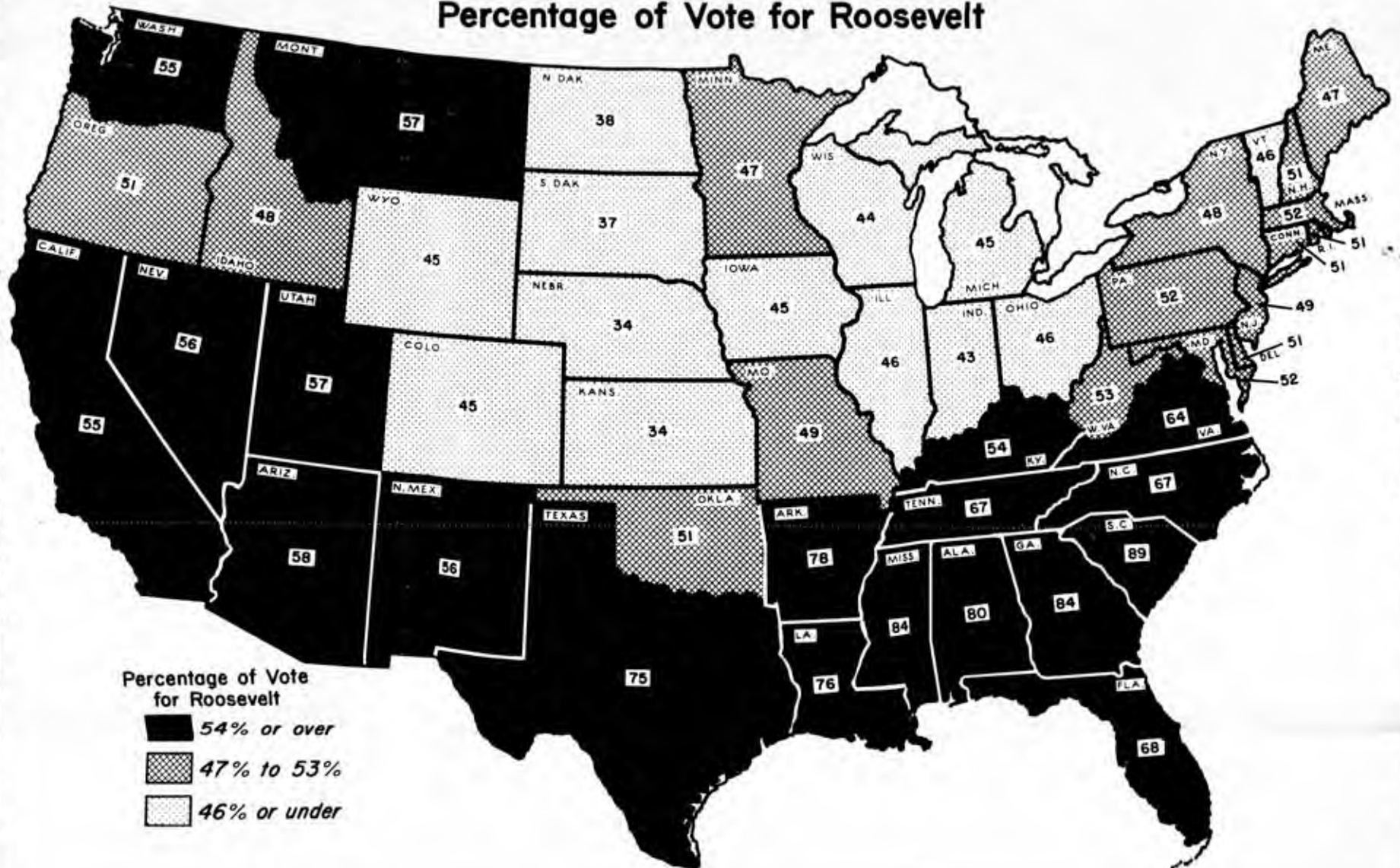
The White House.

VOTE FOR ROOSEVELT BY OCCUPATION GROUPS



THE GALLUP POLL SEPT. 17, 1944

Percentage of Vote for Roosevelt



State	Current Vote		State Electoral Vote		% Change since August 23		State	Current Vote		State Electoral Vote		% Change since August 23	
	For Roosevelt	For Dewey	For Roosevelt	For Dewey	+ For Roosevelt	+ For Dewey		For Roosevelt	For Dewey	For Roosevelt	For Dewey	+ For Roosevelt	+ For Dewey
Ala.....	80%	20%	11				Nebr....	34%	66%		6	1%	
Ariz.....	58%	42%	4				Nev.....	56%	44%	3			
Ark.....	78%	22%	9				N.H.....	51%	49%	4			
Calif.....	55%	45%	25		2%		N.J.....	49%	51%		16		
Colo.....	45%	55%		6			N.Mex..	56%	44%	4			
Conn.....	51%	49%	8				N.Y.....	48%	52%		47		
Del.....	51%	49%	3				N.C.....	67%	33%	14			
Fla.....	68%	32%	8				N.Dak..	38%	62%		4		
Ga.....	84%	16%	12				Ohio...	46%	54%		25		
Idaho...	48%	52%		4	1%		Okla...	51%	49%	10			
Ill.....	46%	54%		28			Oreg...*	51%*	49%*	6*		2%*	
Ind.....	43%	57%		13			Pa.....	52%	48%	35			
Iowa....	45%	55%		10	1%		R.I.....	51%	49%	4			
Kans....	34%	66%		8			S.C.....	89%	11%	8			
Ky.....	54%	46%	11				S.Dak..	37%	63%		4		
La.....	76%	24%	10				Tenn....	67%	33%	12			
Me.....	47%	53%		5			Texas..	75%	25%	23			
Md.....	52%	48%	8				Utah...	57%	43%	4			
Mass....	52%	48%	16				Vt.....	46%	54%		3		
Mich....	45%	55%		19	2		Va.....	64%	36%	11			
Minn....	47%	53%		11			Wash..	55%	45%	8			
Miss....	84%	16%	9				W.Va...	53%	47%	8			
Mo.....	49%	51%		15			Wis....	44%	56%		12		
Mont....	57%	43%	4				Wyo....	45%	55%		3		
							Total..			292	236		

* Change in column

173 5
M

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

September 19, 1944

TO Secretary Morgenthau

FROM Fred Smith. *FD*

Here are the latest results of the Gallup Poll in Oklahoma as published Sunday. They show no change.

Ted Gamble must have seen some other Poll.

Attachment

The Washington Post
SEP 17 1944

The Gallup Poll

**FDR Is Gaining in California
As Dewey Heads Into State**

By George Gallup

Director,
American Institute of Public Opinion
Heading into California next
Wednesday, Thomas E. Dewey will
invade a State whose votes may be
the deciding factor in the 1944
presidential election.

California, with its 25 electoral
votes, presents a tough nut for the
Republicans to crack. President
Roosevelt is not only running ahead
of Governor Dewey in popularity
in the State, but has increased his
lead slightly during the past few
weeks.

In early August the Institute re-
ported California in Mr. Roose-
velt's column with a vote of 53 per
cent. The latest survey of the
State, completed just prior to
Dewey's trip, shows the following:

CALIFORNIA

	August TODAY	
Roosevelt	53%	55%
Dewey	47	45

The Roosevelt upswing on the
Pacific Coast is undoubtedly a re-
flection of the continued good news
from the European fighting fronts,
and the fact that the President
himself visited the West Coast re-
cently.

Governor Dewey's present cam-
paign trip with its attendant public
appearances may have the effect
of reversing the Democratic trend.
The Republican candidate is

scheduled to make two major
speeches in California, one in San
Francisco on Wednesday and the
other in Los Angeles on Thursday.

After leaving California the
Dewey train will head back East,
with a major stop scheduled for
Oklahoma.

In this important "border" State,
with 10 electoral votes, the political
situation looks nip and tuck today
with Roosevelt holding a slight ad-
vantage.

The Institute's late August re-
port showed Oklahoma leaning
toward Roosevelt, his percentage
being 51 per cent. Latest results
from the State show no change.

OKLAHOMA

	August TODAY	
Roosevelt	51%	51%
Dewey	49	49

All percentages above apply to
civilian voters only, not including
the soldier vote. Moreover, figures
do not constitute a prediction of
the November result in any State,
but represents sentiment only as
of the present time.

During the past week the Insti-
tute has reported sentiment in six
States on Dewey's campaign sched-
ule. A summary follows:

	Roosevelt	Dewey
Michigan	45%	55%
Iowa	45	55
Nebraska	34	66
Idaho	48	52
Washington	55	45
Oregon	51	49

September 19, 1944

Dear Eleanor:

I am sending you enclosed herewith a map of the United States showing the latest results of the Gallup Poll. I propose to furnish this to you each week as there are changes.

Affectionately yours,

(Signed) Henry

Mrs. Franklin D. Roosevelt,
Hyde Park, New York.

*Map is same as
one lat. to ltr
sent to President
today.*

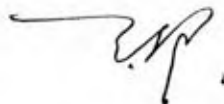
THE WHITE HOUSE
WASHINGTON

September 27, 1944.

Dear Henry:

Many thanks for the map showing the results of the latest Gallup Poll. I was interested to see it and will be glad to have the others each week.

Affectionately,



September 19, 1944

Dear Elinor:

I am sending you enclosed herewith a map of the United States showing the latest results of the Gallup Poll. I propose to furnish this to you each week as there are changes.

Affectionately yours,

(Signed) Henry

Mrs. Henry Morgenthau, Jr.,
Hopewell Junction, New York.

*Map is same as
one att to ltr
sent to President
today.*

September 19, 1944
12:00 m.

SECRETARY'S ADDRESS ON WAR REFUGEE BOARD

Present: Mr. Abramson
Mr. Pehle
Mr. Barth
Mrs. Klotz
Mr. Smith

H.M.JR: Would you mind telling them where we are now, including things which I have eliminated, which is known as Morgenthau's elbow, which is not arguable - it is just my elbow. So I excluded you people so you wouldn't argue with me! You see, I have been up on the citadel. So you go ahead, if you will, please, and then we will tell them - well, we will let them discuss what is left.

MR. BARTH: The Morgenthau elbow has gone into the section about whether aid of this sort should be voluntary. The Secretary would like, in place of that stuff, to have some one or two very simple examples of the kind of benefit that these organizations have conferred - one or two human interest stories concerning individuals, and I thought that Mr. Schwartz, who has just come back, might have one or two recent ones that would be illuminating - not too sentimental - and would point up this part of it by giving specific illustrations.

H.M.JR: Now, to be specific, if they had anything which they have been able to do in Paris, for instance, when they got into Paris--

MR. ABRAMSON: They haven't got there yet, and Schwartz is in Montreal at the UNRRA meeting.

H.M.JR: You can get him on the telephone.

- 2 -

MR. PEHLE: You mean since the liberation?

H.M.JR: Yes.

MR. PEHLE: In Italy there might be some examples - not in France yet. They have been doing some stuff in Italy.

H.M.JR: Have they been doing some things in Rome which are new - which haven't been told?

MR. PEHLE: I don't know, we will have to see.

H.M.JR: I just want to say, so you won't be antagonistic - I am for the first time since I have been Secretary of the Treasury going to give examples of what these people have done, and I am going to urge them to do more. I have never done that before. So relax and smile a little bit. I am going to actually do what I have never done before; I am going to tell them that this is the kind of thing, with the definite impression they have got to give us more money so they can do more like that.

MR. PEHLE: When you speak of examples, Mr. Secretary, I take it when you talk about things like Paris and Italy you are not talking primarily about what the War Refugee Board is vitally concerned with. We are talking more about what they do in the post-war as areas are liberated.

H.M.JR: No, I would like to put it this way: The part where they say that these agencies have financed the War Refugee Board - then I would like to say, "And this is what your money went to," and I don't see why you can't list what these different organizations have given to the War Refugee Board.

MR. PEHLE: Well, there is one organization, that is the JDC.

H.M.JR: Only one?

MR. PEHLE: Yes, the YRS is a local outfit.

- 3 -

H.M.JR: What about all this money that went to Switzerland?

MR. PEHLE: That is all JDC money.

H.M.JR: Anyway, if it is only one, I wouldn't do it. "But certainly you people have given us this money. Now let me tell you a couple of incidents - what we did with it."

Now, you told me a story about some child that took two years to walk from Poland down through the Balkans.

MR. PEHLE: That has been used several times.

H.M.JR: Get me something new.

MR. PEHLE: We invented that one, incidentally!

H.M.JR: But that is the kind of thing.

MR. PEHLE: How about the food packages that went to the Gripsholm? They made a contribution and we paid for most of that ourselves.

H.M.JR: We mentioned that. But aren't there some individual cases we know, of people who have come out of the Balkans on this long trek and have come down through Turkey?

MR. PEHLE: Only the ones that we have invented, and they weren't too hot. I see what you have in mind. We will just get to work on it, that is all.

MR. SMITH: Get your inventor to work?

H.M.JR: Go through a little bit more, Alan, so they can get the feeling of what I want.

MR. BARTH: The Secretary wants to cut out the vague generalized references to the work of the War Refugee Board as being mysterious or secret, and not subject as yet to revelation, and to substitute for those one or two

- 4 -

specific cases concerning individuals, rather than the kind of generalization that we used here. We have cut out--

MR. PEHLE: What page is that on?

MR. BARTH: On Page 4. We cut out all of this business in the third paragraph - "It may mean actual, physical rescue -- sometimes by somewhat unorthodox methods. It may mean persuasion of a wavering government to discontinue persecution" - he doesn't want to do that.

On Page 5 we have cut out the whole paragraph which speaks of the stirring story of achievement of the War Refugee Board which will one day be told, because he doesn't want to give the impression that there was anything hidden about what has been done. Instead of that he would like to have an example of what has been done; both an example of what the War Refugee Board has done, and examples of what the private agencies for whom the appeal is being made have done.

MR. PEHLE: That is a tough order. We will get to work on it. It is a tough order from this point of view, Mr. Secretary; the reason these things are vague is because when you get into actual operation, it means in enemy countries, and you are saying specifically what you don't want to make vague allusions to.

H.M.JR: I don't want anybody to say that we have influenced governments - that there is some hush-hush stuff.

MR. PEHLE: That is exactly what we have done. Our biggest job has been to influence governments to put pressure on here and abroad.

H.M.JR: I am not going to say that. You are not going to put it in my mouth because I think it is terrific.

- 5 -

MR. BARTH: I am afraid, Mr. Secretary, that any of the illustrations that we get will either seem little sob-stories dragged in, so individualized that they wouldn't give a broad picture, or they will be like the illustration that we used about the trucks and the exchange of refugees - something that conveys a general impression that you don't want to give. The whole truck story is cut out.

MR. PEHLE: That is the one we turned down. The difficulty you have in this, Mr. Secretary, is the same difficulty we have had every time somebody comes in and says, "Now what are you doing?" - because either you give them these vague things, and of course, when you get vague it sounds like you might be hiding something. That is what you got out of it, although we tried to protect against that. But when you get explicit the important things we have done have been; (a) influence governments, (b) operations in enemy territory - and that is full of dynamite once you get explicit about it. The truck story was one we thought was of some value because we said we wouldn't do it - we said no.

H.M.JR: No, you don't explain that you didn't do it because this was against Russia. The way that thing is written up Russian Pravda would come out and say "Ah ha" - anyway, I haven't got time. I know I am not going to do it. I am not going to tell that story. If you can't give me stories which are on the record I won't tell any. But I am not going to give the impression that this is an agency which has hush-hush stuff, that you can't talk about it - it brings pressure on governments, it works in connection with the German OGPU, and all that.

MR. PEHLE: I think, then, we ought to take the line on specific stuff of talking about things like what the JDC is doing in Rome today, and what the money now collected is likely to be used for - if we can get a story.

MR. ABRAMSON: I make this contribution: Shaeffer showed this in Chicago.

- 6 -

There is one minor change in one sentence. I took the liberty, off the record, of showing this to Joe in its present form, and to Leavitt - the two top men in JDC. They are very excited about it in that form. I mean, that doesn't meet your point--

MR. PEHLE: That is so general.

H.M.JR: Yes, but I am very sorry, but I am not going to give that part of the speech. I know it leaves it just open to terrific attack, and we are dealing with a lot of very smart people. All you have to do is to look at what the General did to me last night - this thing that I did - this letter - I wrote them about people like Helen Gahagan and her husband, and said, "Why do you want it?" They take it that I am interfering with their investigation of the CIO.

The two things have no more to do with each other than black and white. They are completely separated. But if the Journal can take and twist that, oh, boy - what they could do to this!

MR. PEHLE: Sure. You can't insure yourself against that kind of attack.

H.M.JR: No, I have eliminated the things I don't want to say.

... MR. PEHLE: I take it the point about the voluntary thing must have had some other--

H.M.JR: I have never discussed it. I don't know - it runs all the way through the thing that we work with the agencies.

MR. PEHLE: I know.

H.M.JR: But this is something which is so vital to me - this question of volunteer agencies - and it is to you. But I have never been in on that; that is an entirely new subject to me. I will let it run all the way through the speech, but I don't want to make it as emphatic as you have made it because I haven't thought about it.

- 7 -

MR. PEHLE: We thought it was a pretty safe point.

H.M.JR: Well, I would like to sit around with a lot of people and talk about it for a week, and I would most likely come out at the same end. But it is a new thought to me. But I am willing to let that thread run all the way through.

Now, look--I don't want any fake stories.

MR. PEHLE: No, I don't think so.

H.M.JR: Can't you talk about some of the ships that came into Turkey?

MR. PEHLE: Yes, but there is no news; that is old stuff.

MR. BARTH: That is pretty old.

H.M.JR: Remember, I am doing this thing for three agencies now, not just one. Don't they get cables every day? Isn't there something fresh that has come in?

MR. PEHLE: Anything that is of interest will fall in that same difficulty--that they are operations that relate to enemy territory. That is what we are set up for. They will get you into far more trouble than these general statements.

H.M.JR: Now, look, Alan, I have told you what I want. If you would go over it once more with these people and if they can't give you what I want--I will do it, if you please, the way I have outlined it to you. But I am not going to argue, because that is just why I didn't want them here.

MR. BARTH: We will try to get the stories if they seem good, honest, simple stories that you can tell without slopping over.

H.M.JR: That is right.

- 8 -

But the thing I am willing to do, and I would like to do if they could only give it to me - I would like to let my audience know that there is a flow of sympathy between them and me and that I feel this thing just as deeply as anybody that I am talking to, and that we have to get the money to continue this work which is being done. That is the thing; if I can get that bond of sympathy between the audience and myself, then I think I can get myself over and get them aroused so they will go out and raise the money. That is what I am there for, am I not?

MR. ABRAMSON: That is right.

H.M.JR: That is what I am willing to do; but you people haven't given me that. I am going to repeat once more: I want them to know that I am just as much interested in this thing as any man or woman in the audience - "I feel it just as deeply as you do. I feel that we in the Refugee Board have been able to do a wonderful job due to the financial support and the support of the personnel. And these are some of the things we have done with your money. Now, there are a lot more things that have to be done, and therefore it is up to you people to continue to supply us."

That is the kind of speech I would like to give - and I take it they want me to urge these people and inspire them so that they will go out and raise some money: Is that right?

MR. ABRAMSON: That is right.

H.M.JR: Now, see what you can do.

MR. BARTH: Sure. The only other piece of surgery is the amputation at the end. We are going to stop in the middle of Page 9.

H.M.JR: Are you a little happier about this now, Fred?

MR. SMITH: I think I am.

- 9 -

MR. PEHLE: Why, sure. I mean, the question is how many chances you take when you write it: (a), you take one chance when you go out there at all - which somebody can criticise you for.

H.M.JR: I am coming there to try to inspire these people to raise some money. Now, you can call it by any name, but that is what I am coming there for. I would like to do it. I would like them to know I am interested in it. I believe in the work. They have been helpful. We have a lot more to do, and we need a lot more money. Now, can't we blow that spirit into that speech?

MR. PEHLE: Sure.

MR. SMITH: I think the only way you can do that is to make it reasonably clear what the Refugee Board does - if you can make it clear at all. Even if you have to make allusions to some of these things that are known, if you collect a lot of them you are giving an over-all picture of them. I don't mean make a recitation of a lot of incidents--

MRS. KLOTZ: That is just what the Secretary doesn't want to do.

MR. PEHLE: That is the thing he can't do. The safest thing to do is to talk about the operation in liberated areas.

H.M.JR: Now, you have what I have in mind, have you?

MR. BARTH: Yes.

H.M.JR: Any doubts?

MR. BARTH: No, I think I am clear.

H.M.JR: Between now and eleven tomorrow you can come in and give me something?

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MR. BARTH: Sure.

H.M.JR: He needs some help from you people now. He can excuse himself and then go write about Jesse Jones, or something like that.

0422-Statement

(~~There is nothing more vital to the needs of humanity than the purposes for which you have come together here this evening.~~) A readiness to help one's fellow-men has always been a hallmark of the kind of civilization which we are now waging war to preserve. Never has there been more urgent need for it than now when that war seems almost won. For we shall be able to make our victory real only if we succeed in binding up the world's wounds, only if we can relieve and heal the terrible suffering which the war has caused.

Tonight you inaugurate the campaign of the Jewish Welfare Fund in behalf of the Community and War Fund of Metropolitan Chicago. (~~I am happy to be here with you and grateful to you for giving me a share in these efforts.~~ The Jews of Europe, who have suffered so terribly from Nazi savagery have special need of your help. It will be heartening to them to know that in this community, far away from the turmoil and destruction of the war, Jews and non-Jews together are striving to assist them.

2 | Some people feel that this sort of assistance should be given through governments -- that governments should run all social and welfare programs. I don't happen to agree. We undoubtedly must have a gradual expansion of public efforts

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in the field of social services both internationally and at home; even now we are feeling our way in an evolutionary program. But I shudder at the prospect of a government monopoly in these areas.

There is something lost, I think, if men are deprived of the privilege of lending, voluntarily, a helping hand to their fellow-men and to the causes in which they believe. Although in certain spheres, especially when we are at war, compulsion is necessary, it is equally true that in a democracy there must always be room for the voluntary participation of individuals banding together to meet the problems of society. As you know, I have always advocated the sale of Government war bonds on a strictly voluntary basis rather than by compulsory means. In part, this is because the purchase of these bonds by individuals gives to them, I think, a sense of partnership in the national cause which they would not get by any other means. Just so with charity. Like mercy, it is, I think, twice blessed. "It blesseth him that gives and him that takes."

Fund raising efforts such as the one which you are now undertaking do more than anything else to give us a sense of human solidarity. Their benefits, when they are directed to needs at home, do much to improve the morale and the physical

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well-being of our people and thus make our country stronger -- both during and after the war. When these benefits are directed overseas, they help to preserve the concepts for which we are fighting -- human decency and dignity. They keep alive the values of our civilization.

Private agencies, such as those that make up the United Jewish Appeal, administering funds voluntarily contributed, have for many years been carrying on important programs overseas, furnishing rescue, relief and encouragement to millions of persecuted and impoverished people in Europe. We know that these activities have done much to bolster their will to live and to carry on. Refugees coming out of Nazi-dominated territory have testified that it has been a source of great strength to them to know that America cares about what happens to them -- and cares enough to do something constructive in their behalf.

My conviction in this regard is strengthened by the experience I have had with the War Refugee Board which was established eight months ago tomorrow, through the vision and humanitarianism of President Roosevelt. I am honored to share membership on the Board with Secretary Hull and Secretary Stimson, and to serve with its Executive Director, John W. Pehle.

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The Executive Order creating the Board declares that "it is the policy of this Government to take all measures within its power to rescue the victims of enemy oppression who are in imminent danger of death and otherwise to afford such victims all possible relief and assistance consistent with the successful prosecution of the war." *

With a small staff in Washington, with a handful of able representatives in strategic neutral countries, the Board has carried on a host of activities in relief, in rescue, and in psychological warfare -- all designed to save the lives of persecuted peoples.

Life-saving in an occupied country during a war is not a simple matter. It may mean actual, physical rescue -- sometimes by somewhat unorthodox methods. It may mean persuasion of a wavering government to discontinue persecution. It may mean providing relief or the money or credit to obtain relief. Or it may mean psychological warfare -- by pamphlet or by radio -- designed both to discourage oppressors and encourage their victims.

All over Europe the Board has carried on its work with the care and secrecy that are necessary in such delicate operations. It has participated in the rescue of thousands from the Balkans

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across the Black Sea to Palestine -- in the rescue of many over the Pyrenees to and through Spain and Portugal. It has cooperated in establishing many refugee camps in Africa and, through the President's leadership, an Emergency Refugee shelter at Oswego, in the United States. It has taken the lead in sending food packages from this country to helpless internees in European camps. In the Hungarian crisis it took many steps which undoubtedly helped stay the deportation of Jews and relieve their condition. It has used all the old techniques and invented some new ones. It has applied them all to the saving of human life.

The stirring story of achievement of the War Refugee Board will one day be told. Then you will understand why I feel that one of the most satisfying experiences in my public career derives from the honor that was bestowed on me by President Roosevelt in making me a member of this Board.

In all its operations, the Board has worked in closest cooperation with private agencies. Many of its programs in relief and rescue work have utilized the personnel, the funds and the experience of those private agencies in which you are particularly interested and which you are supporting.

The rescue operations from the Balkans were actually

carried on by the Jewish Agency and the Joint Distribution Committee. Part of the expense of feeding persons in Hungary and other occupied countries has been met by JDC. Without the help of such agencies, particularly the JDC, these activities might have been "too little and too late."

Some of you may wonder why the work of the War Refugee Board has not been carried on and financed exclusively by the Government. Let me explain why I think it better that it was done jointly by both private agencies and the government.

When the Board was first established, it was obvious that speed was essential. Millions of unfortunate people were in danger of sudden violent death or deportation. The pace of the war indicated that sudden military and diplomatic moves were impending. There was the terrible prospect that in the last days of his control, Hitler would suddenly undertake new measures of persecution and extermination. It was imperative that speedy machinery be employed.

In the light of this situation, the Board decided to rule out, wherever possible, all plans and devices that involved undue delay. It was quickly apparent that there were many honorable, seasoned private organizations in the field who were equipped with everything except the kind of support which

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could come only from the Government of the United States. The main ingredient that was lacking was a vigorous statement of policy of this Government and its application in all possible ways.

It seemed perfectly logical that a relationship should be established between the private agencies and the Government in order that the maximum number of lives should be saved in the minimum time. For its part the Government could contribute the weight of its prestige, its diplomacy, its communication channels, its licensing facilities, its transportation facilities -- wherever these did not interfere with the winning of the war. For their part the private agencies could give detailed knowledge, seasoned personnel, long experience, and quickly available funds.

A partnership was quickly arranged. War Refugee Board originated, expedited, negotiated and enabled; private agencies did most of the financing and operating, and attended to those practical matters in which they were experienced.

We realize that, with all our doing, we never met the problem in its full, horrible dimensions. For it must always be remembered that we had to operate in such a way that the progress of the war would be expedited rather than retarded.

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Some of the most trying moments in the history of the Board occurred when a barbaric enemy conditioned the release of refugees upon proposals for us to give war materials in return.

I am going to tell you about one specific case of this kind. Your feeling about it, I know, will be the same as mine. Several months ago a suggestion came to us through the subterranean diplomatic channels which operate even in wartime, that the enemy would release a certain number of imprisoned victims -- provided we would deliver to them ten thousand trucks. And it was delicately hinted to us that the trucks would be used only against our Allies, the Russians. I need not tell you that we never yielded to such ransom proposals. And I may add that no private agency, regardless of the desperate situation involved, ever urged us to yield to them.

All of you, I know, have read with shame and anger and heartbreak the tales of Nazi savagery which have been unfolded as the liberation of Europe has progressed. No human being, least of all an American who has been brought up to respect freedom and the sanctity of the individual, could learn of these acts without a shuddering anguish. They are, to most of us, in a real sense incredible; and it is incredible that they should have been perpetrated by creatures shaped like men. Yet

the record of what took place at Warsaw and Lublin and Kharkov, the bestial cruelty of the Gestapo in Germany and in all the lands which Germans overran are real past all denying. I shall not try to tell you any of these tales. I know that your minds and hearts already have been seared by them.

We who have been spared these horrors have a solemn obligation to those who experienced them -- an obligation imposed upon us by our common humanity. We have an obligation to those millions whom the war will have left homeless and hungry, uprooted and driven to distant places, bereft of any means to start their lives anew. We cannot turn our heads aside and look the other way. The basic tenet of the civilization which we cherish is that a kinship exists among all men.

Several public international organizations -- notably UNRRA and the Inter-governmental Committee on Refugees -- have been established to meet aspects of these problems. But the problems are so great and the governmental techniques so imperfect that there will be much which only voluntary agencies can do. It would be tragic if any interested group were to desert the great cause now.

The work which your organizations contemplate is indispensable to the creation of the kind of world in which we hope

*This world
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- 10 -

to live. The sentiments which impel you to support this work are the sentiments upon which our civilization is founded. That civilization can endure only as we respect and promote its essential values. When the enemy has been beaten, this great challenge will remain. We must not falter before it.

Back
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EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

DATE Sept. 19,
1944TO Secretary Morgenthau
FROM J. W. Pehle

NOTES ON CHICAGO SPEAKING ENGAGEMENT, September 21.

1. Mr. Shaeffer has been in Chicago since the 14th. He is staying at the Sherman.
2. Mr. Abrahamson will arrive in Chicago on the 20th and stay at the Palmer House.
3. The occasion of your visit is a meeting of the Jewish Welfare Fund to inaugurate the campaign of the Community and War Fund of Metropolitan Chicago. The campaign goal is \$12,980,000, of which the Jewish Welfare Fund allocation is \$1,500,000, with special provision for a further grant up to \$350,000 additional if the campaign is oversubscribed. The bulk of the JWF allocation will go to the United Jewish Appeal, which in turn finances the Joint Distribution Committee, the United Palestine Appeal, and the National Refugee Service.
4. There is a dinner meeting at 6:00 P.M. at the Stevens Hotel. The attendance will be about 150 people. There will be a short informal discussion after the dinner. Judge Schwartz will introduce the three guests of honor and Elmer Stevens, President of the Community and War Fund, and Ben Harris will act as moderator. There will be carefully selected questions from the floor. Mr. Abrahamson will be at the dinner to help in the answering of questions dealing with the War Refugee Board.

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5. There will be a mass meeting at eight o'clock in the Grand Ballroom of the Stevens Hotel. Between 1500 and 2000 people are expected. Admission is by ticket only. The program is as follows:

- A. Judge Schwartz to preside and to make all introductions.
- B. Singing of Star Spangled Banner
- C. Short talk by Elmer Stevens, President of the Community and War Fund
- D. Short talk by Joseph C. Hyman, Exec. Vice Chairman, JDC
- E. Twelve-minute War Fund Movie, "Memo to Joe," Quentin Reynolds
- F. Principal address by Secretary Morgenthau
- G. Short talk by Rabbi James G. Heller, Chairman of United Palestine Appeal

September 19, 1944
3:00 p.m.

SURPLUS PROPERTY DISPOSAL

Present: Mr. O'Connell
Mr. C. S. Bell
Mr. Lynch
Mr. Orlrich
Mr. Acheson
Mrs. Klotz

H.M.JR: Well, do I understand that there are several things you want to talk to me about? Bell brought up the question this morning about moving. Why move? What is the argument?

MR. OLRICH: Well, there is lack of space, and there is no space available in the building at all. We can't expand. We have no room at the present time in the Procurement Division for our people. We have in an office, probably, fifteen by fifteen, four commodity specialists working at a time, visiting with customers, and each customer hears the deal that is being made with the other customers. We have two secretaries in an office that is too small to operate in.

H.M.JR: Don't you believe in open confidence, openly arrived at?

MR. OLRICH: Not according to the results!

H.M.JR: Is New York the place where the buyers are?

MR. OLRICH: It is the place where the buyers were. They asked the question of me--Mr. Clayton had suggested it--"Wouldn't our commodity specialists do a better job if they were located in New York?"

I have told him that New York would be a place where we would get more buyers from our chief commodity specialists.

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The suggestion that we move to New York was made when we talked to the Public Works Administration, or whatever the building organization is, if they could not secure space in Washington, because the conditions are becoming more crowded, and all desirable space is being taken by General Hines for the Veterans' Administration. As I explained to him, the reason he gets it is, the veterans vote, and surplus property doesn't.

If we couldn't get adequate space here, we might have a better operation if some of our people were moved here and the policy-making group were kept here so they would have contact with other agencies.

H.M.JR: I didn't understand that.

MR. C. S. BELL: Yes, sir. He will keep a nucleus organization.

MR. OLRICH: It would not be a large organization.

MR. C. S. BELL: Probably ten people.

MR. OLRICH: But the people who sell goods and deal in commodities would be in New York City.

MR. C. S. BELL: Yes, sir.

MR. OLRICH: I don't mean the moving of my office and my immediate associates that are working on policy who would stay here.

H.M.JR: O.K. What is next?

MR. OLRICH: That is that.

The second thing is, I don't know just where we will head in under this new bill. This new bill is a very unworkable bill as far as Treasury is concerned, and I think there is a resume which has been prepared by Mr. Lynch.

H.M.JR: Professor, let's have the works.

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MR. LYNCH: Well, I have just outlined here what I think are the major provisions of the bill to give a picture of the problems one would have operating under it. In the first place, as you know, it establishes a board of three members in the Office of War Mobilization, and that board is to have general supervision over the problem and designate the disposal agencies. The Treasury Department is not mentioned as a disposal agency, nor is any other one. The Treasury Department has one specific function, and that is, there is a stockpile that is created in metals. I will mention that in a moment.

The major characteristic of the bill is that it seems to attempt to establish in every classification a preference to get surplus property of any kind. In the first place, there is a great preference to all Government agencies, and then next to that is a great preference as to States and the right to get property as to States and any of their political sub-divisions.

There is specific preference as to automatic supplies and property usable for educational purposes, which includes not only the States and local Governments, but also all charitable institutions, hospitals, tax-supported institutions, and so forth, and so on.

The next is a general preference across the board that is to be worked out in favor of veterans. They shall have the next preference right. The next preference right is for all farmers.

H.M.JR: Firemen?

MR. LYNCH: By the way, volunteer fire associations are included in local organizations. They are in the bill.

Then any property that is needful for farmers is to be sold in local rural areas in such quantities that they will have equal opportunity with everybody else.

And next, all property is to be sold in minimum commercial lots and in areas in accordance with commercial

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practices, and there is a preference for buying any property in minimum commercial lots. You have this whole series of convolutions.

H.M.JR: Isn't this a good time to walk out?

MR. OLRICH: May I interrupt? The small war plants--

MR. LYNCH: ...and to carry out the small business preference, the smaller war plants can step in and buy any of the property any time, and it is self distributed.

Then in addition to that--and this has so many facets-- it is hard to give emphasis to one over the other; as to surplus agricultural commodities, the policies are to be laid down by the War Food administrators generally as to the sale of all surplus agricultural commodities, including processed foods. And then as to all cotton and woolen goods, they cannot be sold at all without the express approval of the War Foods administrators. So now you have the War Foods Administrator, Maury Maverick, and the smaller war plants converging on this board, which in its own self has three different steps or ladders, because you have an administrator, you have the board, and it is in the Office of War Mobilization, presumably subject to the War Mobilizer, or subject to the President.

H.M.JR: It is impossible. Has it passed?

MR. LYNCH: Oh, virtually so. The House adopted the Conference Report. The Senate may have done the same, and probably will this afternoon. Everybody wants to go home.

MR. OLRICH: Maury Maverick also has a right to extend generous credit.

MR. LYNCH: And to make and guarantee loans to small business, and to make time sales and extend credit.

I would like to point to another exhibit.

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H.M.JR: Look, old man. I don't have too much time. You have told me enough to show me that the thing is unworkable. I would like to ask Mr. Orlach. What is your recommendation to me as Secretary of the Treasury? What should I do?

MR. OLRICH: I don't know whether you are compelled to take surplus property, but under the bill, I think if the Treasury could get from under on surplus property it would be a wise move. I don't know what the political implications are, and I don't know what the Governmental implications are, but this bill is absolutely unworkable for any group of men attempting to do a business-like job.

H.M.JR: When is the right time? I should think, just thinking out loud, the right time to file our position would be, whether we are asked or not, is to make a report to the Bureau of the Budget as to how we feel on this bill.

MR. O'CONNELL: You mean recommend a veto?

H.M.JR: Recommend a veto and say that if it is passed, in formal statement, I wish the President would release me from this responsibility. I am just throwing it out, but it seems to me the time to do the thing is so that the President can't say, "Wait a minute, Henry, why didn't you tell me before I signed the bill that you couldn't accept this responsibility?" I don't want to do anything publicly, but I think to the President and to the Bureau of the Budget I should. I am not laying this down, but this is the way I feel--this is my curbstone opinion--that the proper place to do it is while the bill is before the President.

MR. O'CONNELL: I think that is right.

MR. OLRICH: May I make a statement? This bill would practically put the Treasury Department not in the position of selling to the consumer, but one step removed. This puts you in the jobbing business rather than in the whole-sale business.

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H.M.JR: What do you think, Charles, the bureaucrat?

MR. C. S. BELL: I don't think it is as serious as Tom has pointed out. Many of the implications he has mentioned aren't applicable to us. We are not interested in the veterans' preference angle at all, as I see it. That relates to lands, does it not, and small businesses?

MR. LYNCH: That is buying property for small businesses.

MR. C. S. BELL: It would depend all together on what the policy of this board was. The policy could be broad, and we could continue on much the same way that we are going now if we had a good solid board.

These priority requirements--the thing could be turned around where the requirement could be put on the Government agencies to file with the board the list of items that they want.

MR. LYNCH: That is the usual thing. I wouldn't want to emphasize that. That is just the first in the whole series. Of course, that applies substantially now.

MR. OLRICH: I can't agree with you. "By affording veterans suitable preferences to the extent feasible and consistent with the policies of this act in the acquisition of the types of surplus property useful in such enterprises"--and the enterprises are small businesses, professional or agricultural enterprises.

MR. C. S. BELL: But that is general, Ernest, and it would be up to this policy board to set the yardstick.

H.M.JR: Well, you boys evidently aren't together.

MR. O'CONNELL: We just saw it this morning.

H.M.JR: You had better get together. I will be here all of next week. Supposing between now and next Monday you people study this thing and make a recommendation. But my off-hand opinion is that if we decide we don't want it and we do want the President to veto it, you ought to couple all those things together before he signs it.

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MR. O'CONNELL: I agree that between now and next Monday we ought to be able to try our hand to see how it would look in the shape of a veto message.

H.M.JR: If Charles is right, that is something else. But I don't want to be in the position of having the President sign it and then go and say, "Relieve me of this, please, Mr. President," and have him say, "You should have told me that earlier."

MR. C. S. BELL: It does slow up the sale of surplus property, and very materially.

H.M.JR: If he vetoes it, then what happens?

MR. O'CONNELL: They may over-ride his veto. It passed the House by a substantial majority, but they probably won't be in session until after the election.

MR. C. S. BELL: One hundred and seventy-four to ninety-one.

MR. OLRICH: The Senate at the present time is haranguing, trying to restore some of the more objectionable features that the House knocked out.

H.M.JR: From what you tell me, I should think the President would do very well to veto it--

MR. O'CONNELL: At least we ought to see how it would look.

H.M.JR:..in the interest of good government.

MR. O'CONNELL: Actually, you see, we are not crippled if we don't have any legislation for two or three months.

MR. OLRICH: You are better off.

MR. O'CONNELL: It isn't as though you had to have legislation you couldn't operate without.

H.M.JR: You gentlemen get together between now and Monday, all of you, and give me some kind of a recommendation. Does that cover the field?

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MR. OLRICH: Yes, sir.

H.M.JR: Supposing the President vetoes the bill; would Clayton stay?

MR. OLRICH: I don't know. He has served notice that if the bill goes through he won't stay. He may stay if he could operate it. He has indicated that he would stay to lend such aid until the time the bill becomes operative. Now, if he promises to stay until the bill becomes operative and if it lies dormant for three months, why, I think much could be accomplished. At least in that time we could perfect an organization; no matter which way it turned, we would be better off than we are now.

MR. LYNCH: I think it is generally expected it will be difficult to get a quorum on either side of the Congress.

H.M.JR: You have something cut out for you between now and Monday.

Everybody enjoying good health?

All right.

September 19, 1944
3:20 p.m.

REPORT ON QUEBEC CONFERENCE

Present: Mr. D.W. Bell
Mr. Pehle
Mr. Luxford
Mr. DuBois
Mr. Taylor
Mr. Nathan
Mr. Ostrow
Mr. Bitterman
Mr. O'Connell
Mr. Gaston
Mr. White
Mrs. Gold
Mrs. Klotz

H.M.JR: I thought that those of you who worked so hard on what I call the "black book" would like to know a little bit about the success with which we met at Quebec - and this, naturally, has to be triple confidential.

But without going into the thing blow-by-blow, I do want to say that the first reception by Mr. Churchill on this thing was violent opposition. He was violent in the most foul language. He said it was like chaining his body to a dead German, and it was cruel, un-Christian, and everything else.

And then to my amazement, on presenting it the next morning through who was formerly known as Professor Lindemann, and now Baron Lord Cherwell - it was presented the next morning very much softened down. Mr. Churchill interrupted him and said, "I will take it." And then we tried to set it down and we couldn't because it wasn't strong enough.

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The following day Lord Cherwell was most helpful. We suggested that he dictate the thing himself, which he did. And when he was through dictating it Eden was present and Eden jumped on him with hobnailed boots. He said, "You can't stand for this. Why, you and I publicly had just spoken the opposite way. You can't stand for this."

It finally ended in this very nice and pleasant reparte: Mr. Churchill turned on Eden with a snarl and said, "Well, if it gets down to the question of whether I am for the German people or the English people, I am for the English people, and you can be for whomever you want!"

Then he said, "And don't you go tell the War Cabinet about this until I get home!" (Laughter) And I never saw Eden change so completely from the time we saw him in England. I don't know what happened. Of course, I don't think I am exaggerating when I read this thing to you. This pretty much settles the future of Germany - and again, this is all very, very highly secret. The map which was settled, the English Army will occupy the Ruhr and the Saar, so it will be up to the English to enforce this in the first instance. After all, this is one hundred percent Churchill. The only suggestion the President made was when he indicated that it cut clear across Germany. So there is no question. He dictated it and he improved it, and unless his War Cabinet turns him down, which I doubt, it is up to the English Army in the first instance to enforce this.

And, of course, it is even much more amazing that Churchill would do this, because the question really gets down to, "Do you want a strong Germany or a strong Russia" - from the English standpoint. And this means a strong Russia and a weak Germany.

And the thing that attracted Churchill the most was the suggestion that they would get the German export business. That is the bait that he bit and swallowed and got hooked so deep that he couldn't, in my opinion, cough it up.

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Of course, the parallel all through this was the so-called Phase 2 - Lend-Lease - which is something else again - which was agreed to. The Committee has been set up. But I can't over-emphasize how helpful Lord Cherwell was because he would advise me how to handle Churchill. But Roosevelt was very firm through the whole thing, and I imagine the reason he sent for me was he had tried this out on Churchill and got nowhere. He then cabled me to come on up.

As Harry knows, because he helped us try to draft this thing - the first time he just couldn't put the thing down because it wasn't good enough. Then Cherwell presented it in a manner which would make it acceptable. That was the first twenty-four hours; after forty-eight hours Churchill was far enough sold that he dictated it himself. And so this will be over the dead body of Eden. And I hear on other things, all the way through, that Eden was for Churchill all the way.

I will read this to you. I am telling you this because you did work on it, and until the President announces this thing, it must be kept a secret.

(Reading) "At a conference between the President and the Prime Minister upon the best measures to prevent renewed rearmament by Germany, it was felt that an essential feature was the future disposition of the Ruhr and the Saar. The ease with which metallurgical and chemical and electrical industries in Germany can be converted from peace to war has already been impressed upon us by bitter experience.

"It must also be remembered that the Germans have devastated a large portion of the industries of Russia and of other neighboring Allies, and it is only in accordance with justice that these injured countries should be entitled to remove the machinery they require in order to repair the losses they have suffered. The industries referred to in the Ruhr and the Saar would, therefore, be put out of action and closed down."

That certainly doesn't leave any doubts.

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(Continuing) "It was felt that the two districts should be put under world organization which would supervise the dismantling of these industries and make sure they were not started up again by some subterfuge.

"This program for eliminating the war-making industries in the Ruhr and in the Saar is looking forward to converting Germany into a country primarily agricultural and pastoral in character.

"The Prime Minister and the President were in agreement on this program."

MR. GASTON: That goes beyond what you proposed, making it primarily agricultural and pastoral.

H.M.JR: Oh, no, that was my original suggestion in England, wasn't it?

MR. WHITE: Yes.

MR. GASTON: But I don't think it is embodied in the memorandum as fully as that.

MR. BELL: The words aren't there, but if you follow out what is suggested, you don't have any other course to follow.

H.M.JR: But that is certainly, in a page and a half, a condensation of everything that is in the "black book." It doesn't leave any room for doubt. And that was Churchill. The only thing the President added was, "The ease with which metallurgical and chemical and electrical industries in Germany can be converted from peace to war has already been impressed upon us by bitter experience." The indication was, clear across the border.

So I want to thank each and all of you for the very fine contribution you have made. Personally, I think it comes very rarely in a person's lifetime that you can participate in a thing like this which, if carried through, will go a long way towards assuring the peace for many

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years, and it was the most interesting forty-eight hours I have ever experienced in my life, and the most satisfactory. And Mr. White and his group, and those associated with him, through the excellent material which was supplied to me, made this thing possible. I want to thank you all very much.

Again, I cannot caution you too much as to secrecy.

(Mrs. Gold, Mr. Nathan, Mr. Ostrow, and Mr. Bitterman leave the conference)

H.M.JR: Harry, this is one for you (hands Mr. White copy of above statement).

Now, I have got a lot of things. I don't know what I called this meeting for, but let me get out from under.

MR. BELL: You said this morning you wanted the group that had been working with you.

H.M.JR: You (Mr. Gaston) and Harry give Harry Sherman a digest of that.

MR. GASTON: You read it, did you?

H.M.JR: Yes, I read enough.

Now, look, gentlemen, this is what I have. Why I have got all this, I don't know, but now here is Bell's cable to me on the French; now here is Hull's letter to the President on this; and a personal letter from Harry Hopkins endorsing this thing. It says, "If you will initial this matter, it will be handled in that way." And then the President to me - "Will you handle this with Harry Hopkins and Cordell Hull." I called up Harry Hopkins and told him that I had recommended to the President to put--

MR. BELL: That is still the French?

H.M.JR: ...and that is where it was. Harry shrugged his shoulders and said he didn't really care any more.

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I dictated this to Grace: "In regard to proposal for Lend-Lease to France, my recommendation is for the time being we postpone taking any action. Okay. F.D.R."

I have told Harry I just thought I would let the thing cook.

Now, Harry, make a note: I think it is much better to tell Mr. Hull that I recommend it - or would you just let the thing cook - just let it lie in my office - the French?

MR. WHITE: I think you ought to tell them what happened and say that you are recommending not taking any action at that time.

MR. BELL: If you don't they will go ahead over there, that group, and continue to negotiate.

H.M.JR: All right.

Mrs. Klotz, have this thing photostated and make it Agenda No. 1, Lend-Lease to the French, for tomorrow, and put this thing in with a photostat.

MRS. KLOTZ: All right.

H.M.JR: That is for nine-thirty.

Now, the interesting thing - just to tell you how these things work - Mrs. Klotz warned me that you (Bell) sent through the Chart Room - Leahy had already read it, tickled to death with what you said, and hoped I would see it through - then the stuff that the President sent back down through there - Hopkins reads it all--

MR. BELL: That is a nice liaison - perfect!
(Laughter)

H.M.JR: But I, at that end, read some of the stuff that Hopkins sent. Is that right, Harry?

MR. WHITE: Yes.

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H.M.JR: For forty-eight hours we were at the top of the heap. I wish I could ever get there again.

MR. PEHLE: Did a lot of business in forty-eight hours.

H.M.JR: Yes. Now this is the mystery of mysteries. Harry, you never saw this. This is Lend-Lease supply from Britain in stage two.

MRS. KLOTZ: I will see that he gets it. I haven't got this, you see.

H.M.JR: Make a note I have read it.

Now, here comes this letter from the President, September 9, in which he says, "There has been a good deal of discussion with several Government Departments relative to our Lend-Lease. Will you be sure" - it is one in which he stops everything. "It is my wish no Department of Government take unilateral action with regard to any matters which concern Lend-Lease."

MR. WHITE: You have a copy of it.

H.M.JR: Now, this was September 9. Then this comes from Cordell Hull to the President, September 13: "I have your letter of September 9 relative to our Lend-Lease policy after the collapse of Germany and been governed by your instructions. As you know, under direction from you, we have been engaged since May 24 in negotiation with the Soviet Government over a contract by which they would accept in pay or on credit certain items included in the Fourth Protocol. Some of the discussions with the French authorities were authorized for you in July and were mentioned in the recent exchange of memorandum with the French. These discussions are awaiting further instructions from you.

"In your absence, inquiry has been made as to whether these discussions, particularly those with the Soviet

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representative now in progress should be interrupted. Mr. Hopkins has informed the Department that until you inform us to the contrary, we should continue these negotiations, and your letter of September 9 did not intend otherwise."

Now, I know this letter which the President sent was dictated by Hopkins, because he told me he was going to do it. And then the President writes this to me: "Will you talk with Secretary of State or Stettinius, and Secretary of War about this. F.D.R."

(To Mrs. Klotz) Put this on the agenda for tomorrow, please.

MR. BELL: Wasn't very prominent mention of that subject in the memorandum, though - on the French negotiations. He can't refer to that as something the President approved. In that memorandum it was the opposite.

MR. WHITE: That is what I thought by reading it.

MR. LUXFORD: But he has an O.K. on his recommendation.

MR. BELL: He didn't get it in that memorandum.

H.M.JR: Now, you have the French; you have the Russian - the French is all right, and the Russian you will have to help me out on, Harry.

MR. WHITE: Yes, I will bring you up to date very quickly on it.

H.M.JR: This Committee--

MR. WHITE: Then there is the Committee of the British.

H.M.JR: Yes. I had dinner last night at Hyde Park with Churchill and Mr. Martin. That is where I got that. And what the British have done is they are going to put the Chancellor of the Exchequer on this Committee, but

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he isn't coming, and the substitute for him will most likely be Lord Keynes. Something has happened about Bob Brand. I don't know, but for some reason or other they have decided that it will most likely be Lord Keynes - which I said would be quite acceptable.

MR. WHITE: Shouldn't monkey with a buzz-saw.

H.M.JR: Not as long as the saw can keep turning. Sometimes the teeth get kind of dull.

Well, that is my story. But there are a lot of loose ends and a lot of stuff which is none of my business, but Mr. Roosevelt dished it all over to me.

Now, starting with Dan Bell, do you want to ask me any questions?

MR. BELL: No, I haven't any questions.

H.M.JR: I don't know what to do with the Russian business. I have to ask them tomorrow what they mean. It is all Greek to me.

MR. BELL: That has been going on a long time. The thing that worries me about the Russians is the amount they estimate is in channels all the time - a billion dollars' worth of this material in channels. I just can't conceive there is that much. I don't think that was intended by the legislation.

H.M.JR: But the Phase 2 thing is tomorrow afternoon. We start at two thirty, see, Harry? You will be here with me on that.

MR. WHITE: Oh, yes. I would like to bring in Casaday because he is going to follow--

H.M.JR: No.

MR. WHITE: No? Anyway, he is going to work on it.

H.M.JR: Now, if you don't mind, who is Professor Orchard?

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MR. WHITE: I don't know what his official capacity is. I thought he was a professor in some Southern California or Texas university. He has been here from time to time. He is a writer.

H.M.JR: Columbia.

MR. WHITE: On Far Eastern affairs.

MR. TAYLOR: He is Secretary of the Liberated Areas Committee of the State Department.

MR. WHITE: You know him personally, don't you Bill?

MR. TAYLOR: Yes, he taught at Columbia.

H.M.JR: What Stettinius told me was that he would be the man who would follow this Phase 2 of the English for him, that that was his responsibility.

MR. WHITE: Then it is new. This really has been Stettinius' business. Is he working for Stettinius - I mean Dean Acheson?

MR. TAYLOR: That is right. He has been working for Dean Acheson.

H.M.JR: Well, Acheson is out of town. He said Orchard would come if he couldn't get away. Now, Crowley is coming over at two-thirty. What I don't know about this thing is plenty.

MR. WHITE: Well, if you like, before two-thirty we will have a memorandum for you giving, very briefly, what the situation is, what the proposal is, what they want, what we have been giving them, and so forth.

You asked for an answer to that letter from Cherwell. You will get the answer in half an hour or an hour, but you will notice that the answer will be deliberately evasive. We say we are going to continue to pursue the same policy we have pursued until and unless new developments warrant a re-examination of the situation.

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There is no particular reason why we should answer his categorical question as to what we mean.

H.M.JR: I will tell you what happened. The President wrote in his own handwriting that they couldn't export or sell for profit.

MR. WHITE: That is not what the document says, Mr. Secretary.

H.M.JR: And they wanted "export and."

MR. WHITE: That is the way the document read.

H.M.JR: And then they cornered me. They waited until half past seven Friday night and wanted me to change it. I said no, that I couldn't go back to the President again, but my understanding was - and I used gasoline as an example - that we sent a lot of gasoline over there and it was put on their books at a price plus transportation, and they sold it back to us.

MR. WHITE: To us?

H.M.JR: Yes. And that would go for anything else; that wheat at a dollar a bushel would be a dollar a bushel plus transportation, storage, and handling.

MR. WHITE: They could export it to anybody?

H.M.JR: No, within England.

MR. WHITE: That is the same problem as the sale of food. There is no reason for us to give a categorical interpretation of that now.

H.M.JR: I tell you what I think I would do. Let's show him a draft tomorrow, and show him that this is not acceptable, see? Here is the thing. "Lend-Lease then would be exported or sold for profit," and he wanted it, "would be exported and sold," I think. He wanted to change it, anyway.

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I said I just wouldn't go back. I went back once and got the "or sold," and the President said, "for profit." Now, what they want is to be able to do what they are always doing, to dispose of the stuff.

MR. WHITE: Domestically, and be able to sell some of their food. If all they want to do is what they have been doing, I don't see that we need to change that policy now, though it may be changed sometime later.

H.M.JR: I think we are on such a nice basis with Cherwell, so let's show him the draft tomorrow and ask him if it is acceptable. As I say, they threw a lot of stuff my way which is none of my business. It is certainly not going to be very pleasant tomorrow.

Did I give you people a copy of the President's letter to the Secretary of War on the Handbook, turning him down on the Handbook?

MR. WHITE: No, that is one thing I haven't seen.

H.M.JR: (To Mrs. Klotz) Give copies to Bell and White.

MR. PEHLE: Did the question of war criminals come up?

H.M.JR: The question of war criminals came up, and the question of the Argentine came up, and in neither case did I say anything, because my shoulders were bowed. I was carrying all the water that I could. The President didn't ask me. I couldn't help but hear it, but I simply felt - well, I was doing more than I should and I just had my eye on the bull's-eye, which was what is the future of Germany - a weak Germany or a strong Germany.

They are two pretty hard people to do business with, and then when Aden came in third - last night, just to show you how they feel, Mrs. Lyttle-Hull sat next to Churchill last night. He couldn't hear. He said, "What is your name?" She said, "Hull."

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"Oh," he said, "the name of that terrible man."

MR. GASTON: Mrs. Churchill?

H.M.JR: Mr. Churchill said that. So I mean - the President didn't ask me.

MR. WHITE: Hull's wife?

MRS. KLOTZ: No, this is Mrs. Lyttle-Hull, the former Mrs. Vincent Astor.

H.M.JR: She was sitting next to Churchill. He said, "I didn't get your name."

She said, "I am Mrs. Lyttle-Hull," and then he got it.

MRS. KLOTZ: And she got it!

H.M.JR: But I felt it was a mistake and I told that to White. There is a four-year contract that they are arguing about with me and I just didn't know my facts.

MR. PEHLE: And the question of partition, I take it that is something they will think about further?

H.M.JR: No, as far as they have gone - I actually saw the President draw the map himself as to where our troops are going to go, and that is as far as they have gone - as to what part Russia will occupy and what part we will, and what part the English will. We didn't even think it was the time to push the thing, did you?

MR. WHITE: No, about partition.

MR. PEHLE: I think you are right.

H.M.JR: I don't think it is important.

MR. WHITE: You should have told the story about the man whose name was Smith - isn't that one of your stories? - next to the lady at dinner.

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This very talkative lady kept talking to the neighbor on her left, and finally turned to the man on her right and said, "Oh, what is your name?"

He said, "Smith."

She said, "Oh, Mr. Smith," and after a moment or two she turned to her neighbor, and about five minutes later she turned to him and said, "By the way, what is your name?"

He said, "Smith."

"Oh, yes." She talked a minute. The third time she did it - "What is your name?" - he said, "Smith, you bitch."

She said, "Oh, Russian! How interesting."

H.M.JR: You say that is my story?

MR. WHITE: I thought I got it from you.

H.M.JR: You did not! That is unadulterated White.

MR. WHITE: Did you get a chance to read the memo from Stimson?

H.M.JR: No.

MR. WHITE: Well, I don't know whether the President read it. Do you know whether he read it?

H.M.JR: I am sure he did not.

MR. WHITE: Well, we are attempting to draft an answer, but I think the boys in general don't feel that you should answer it, anyway.

H.M.JR: It is finished.

MR. PEHLE: That is right. He is writing with a view to history, now.

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MR. WHITE: But it does sound like something he may make public.

MR. LUXFORD: It is for his memoirs.

MR. WHITE: I think what we ought to do is go ahead with preparing the memo and just have it, in case.

H.M.JR: Yes. And I would like to take those things on the plane - those things which I haven't read.

MR. WHITE: Then there is the draft of the Directive under which the Army is supposed to operate.

H.M.JR: That is what this meeting was for!

MR. WHITE: One of the things, yes. Now, I think the boys have done a very good job, and it is a very different document from the original one, and it has gone forward to the Combined Chiefs of Staff. Is that right, Bill?

MR. TAYLOR: It will go forward as soon as it gets State's concurrence.

MR. WHITE: State isn't in on it, but State is now going to clear it, and the question is whether or not this document which you have just read - what we do, if anything.

H.M.JR: I tried to find out from Leahy last night and he takes the position it has nothing to do with the Combined Chiefs of Staff, and let's ask that question tomorrow. Hull has a copy and Stimson has a copy.

MR. WHITE: They have received copies of this?

H.M.JR: Yes, through the President.

MR. WHITE: I see.

H.M.JR: But let's find out. Leahy sort of says, "Why, that is up to the English army."

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MR. WHITE: I was going to say, I am wondering whether we might not assume that this is the final Directive and attempt to work out a Directive or a guidebook to implement this. Now, that will take a lot of work - a great deal of work. I don't think it is our responsibility, but I think if we get it, at least whoever is responsible will have our draft to work on.

H.M.JR: I am for that.

Now, Mrs. Klotz, the things that I haven't read are Stimson's reply, I haven't read the President's letter to Stimson stopping the handbook, and I have not read the original draft that we are giving to White of the British Treasury on Phase 2. None of those things have I read. Now, this Directive which White is going to give me a copy of, I would like to read that.

MR. WHITE: I haven't an original.

H.M.JR: Time enough tomorrow.

Now, I think that definitely the Treasury should work out how we can carry out what I call the Quebec Agreement in regard to Germany, and that is what it will be known as.

MR. WHITE: Now, in this, with your permission, I would like to get the assistance, in working out that Directive, of some of the FEA boys who know a great many of the problems we would have to contend with. They have been working on it, and they will work in spirit with it.

H.M.JR: Some of the eighty men who were on this?

MR. WHITE: A few of them!

H.M.JR: That will be all over Washington, anyway, not from the Treasury, but from these copies which have gone out.

MR. PEHLE: There is a problem there; the British and Americans agreeing on such a thing as important as Germany,

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and letting it be made public without the Russians knowing.

H.M.JR: Don't worry about that! I discussed that with the President, myself, and he is considering that, and he certainly isn't going to overlook that bet, I think. I agree with you wholly, but I have talked to him about it.

MR. PEHLE: On this Directive, Mr. Secretary, McCloy was pointing up one phase of the problem. That Directive that goes through will straighten out the army channels. It doesn't straighten out this EAC channel which has all these terrible documents that the State Department has sent to Winant.

H.M.JR: Well, Winant got a copy of this, too.

MR. PEHLE: That went a long way.

H.M.JR: I suggested to the President that he send one to Hull, Stimson, and Winant, which he did, Friday night. Is that right, Harry?

MR. WHITE: I didn't know Winant got it.

H.M.JR: Yes.

MR. DuBOIS: On the Directive McCloy said he was going to sit down first with the British. Is there any way we can get in on those discussion with the British? He will give everything away.

MR. WHITE: I don't know whether the Secretary will arrange that, or whether he will want to.

H.M.JR: What is that?

MR. DuBOIS: On that Directive, McCloy said Sunday he was going to sit down with the British and try to work something out. If he sits down with the British he is going to give a lot of it away, I am sure, unless we are in on it.

H.M.JR: Well, the meeting tomorrow is the time to declare ourselves in.

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MR. BELL: Is Stimson in on this meeting tomorrow, or McCloy?

H.M.JR: Stimson and Hull.

MR. WHITE: I imagine McCloy will be there.

H.M.JR: Why don't I tell McCloy - I think I will call him up and tell him I am taking you (White) definitely tomorrow.

MRS. KLOTZ: They had to check with Mr. Hull to find out if Mr. Hull wanted Dr. White.

H.M.JR: What was the answer?

MRS. KLOTZ: Yes. But they checked.

H.M.JR: I just told them I was bringing him.

MRS. KLOTZ: You said that if Mr. Stimson were coming you would like to bring Mr. White, and if it was Mr. Hull alone you would come alone.

H.M.JR: Any answer?

MRS. KLOTZ: He checked with Mr. Hull and the answer came back, "Yes, bring Dr. White."

MR. TAYLOR: Why can't we cut ourselves in on the CCAC tomorrow, too?

MR. WHITE: You should. Remember, that was McCloy's statement that you are invited to every meeting. Why doesn't the same group go?

MR. TAYLOR: We can't get in on it because the Secretary won't invite us. I think tomorrow is the time when the Secretary ought to cut us in.

MR. WHITE: Secretary who?

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MR. PEHLE: The Secretary of the CCAC wouldn't cut us in on the meetings because only two civilian members, and one of the civilian members is McCloy, get in.

MR. WHITE: Isn't that the combined group in which I specifically asked--

MR. LUXFORD: Yes, and they said anytime.

MR. PEHLE: I know, but they have taken it back a little bit since. The Secretary took it back, and McCloy said he would look into it.

H.M.JR: When you say, "Secretary"--

MR. PEHLE: Secretary of the Committee, which is probably a Britisher and who wouldn't send the agenda to the Treasury because it is against the rules, and we are not a member.

H.M.JR: Well, look - I can't over-emphasize the importance of this Lord Cherwell. He is in on everything with Churchill, and anything like this, that I want right now, I am the white-haired boy as far as Churchill is concerned.

MR. WHITE: I don't think we have to work through him.

H.M.JR: No, but I can.....

(The Secretary holds a telephone conversation with Mr. McCloy, as follows:)

September 19, 1944
4:00 p.m.

HMJr: Hello.

John
McCloy: Hello.

HMJr: Hello, John.

M: Yes. How are you?

HMJr: Fine. I just thought you'd like to know, at
this meeting tomorrow at Hull's office

M: Yes.

HMJr: I am taking Harry White.

M: Yes.

HMJr: So you might....

M: Well, I'll tell the Secretary that and see
what he wants to do.

HMJr: Yeah. So I hope you'll be there.

M: Well, I'd like to be there.

HMJr: Right.

M: Okay. Fine.

HMJr: Thank you.

M: Thanks.

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H.M.JR: And then tomorrow we can say something. Anything I want now from the British, I have a wonderful channel. This man will only be here a couple of weeks.

MR. WHITE: This is the last thing I have. One of the men that we asked down here of the Germans was named Foerster. We wrote a letter.

H.M.JR: A German Firster, or an American Firster?

MR. WHITE: He was first a German, but he is not a German Firster.

And he has heard that Dr. Bruening is going to be one of the three Government advisers on what to do with Germany. I guess he is going to be sent abroad.

MR. PEHLE: Hull denied that, categorically. It was raised at the press conference and Hull said that was--

MR. WHITE: Well, this--

H.M.JR: Stimson thinks very highly of him and said he was going to bring him down.

MR. WHITE: Well, this fellow writes a letter which he hopes will be submitted to you in which he indicates what a serious major error it would be to have Bruening anywhere near an advisory capacity because of what Bruening is and stands for.

H.M.JR: You sit next to me tomorrow and give me a little slip of paper at the right time, or say it yourself - either way.

MR. BELL: This group of professors you had down here all agreed that the situation would be much worse today if Bruening was in Hitler's place as Dictator of Germany, that he is much smarter than Hitler and he wouldn't have made all the mistakes Hitler has made, and you would have a much harder time whipping Germany if this man had been in Hitler's seat. They say he is the same type and not to let him fool you.

September 19, 1944

Dear Leo:

I am enclosing herewith copy of a memorandum which was agreed upon at Quebec. It goes without saying that this is ultra-confidential.

*- dated 9/14/44.
result of conv.
between Pres. &
Prime Minister
& Quebec Agent.*

I am looking forward to seeing you and Oscar Cox at 2:30 Wednesday.

Yours sincerely,

Mr. Leo T. Crowley,
Administrator,
Foreign Economic Administration,
Washington, D.C.

Treasury Department 230
Division of Monetary Research

Date Sept. 19, 1944

To: Secretary Morgenthau

Appended is the table you
asked for.

H.D.W.

MR. WHITE
Branch 2058 - Room 214j

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Treasury Department
Division of Monetary Research

○ Date. Sept. 16, 1944

To: Mr. White

From: Mr. Nathan

The attached table shows the production figures for the Saar, which the Secretary asked to have submitted to him. The year of 1929 was chosen as the last year before the depression; the year 1934 as the last year of Saar independence.

Production of Coal, Iron Ore, Pig Iron and Steel in the Saar and
other European countries, 1929 and 1934

	(In 1000 metric tons)							
	Coal		Iron Ore		Pig Iron		Steel	
	<u>1929</u>	<u>1934</u>	<u>1929</u>	<u>1934</u>	<u>1929</u>	<u>1934</u>	<u>1929</u>	<u>1934</u>
Saar	13,579	11,318	-	-	2,105	1,826	2,210	1,944
Germany (without Saar)	163,441	124,857	2,080	1,372	13,239	8,717	16,023	11,696
Great Britain	262,045	224,268	4,028	10,450	7,711	6,065	9,791	8,992
France	53,780	47,632	18,000	3,227	10,362	6,142	9,716	6,155
Belgium	26,940	29,389	70	52	4,041	2,953	4,110	2,944
Luxemburg	-	-	2,287	1,174	2,906	2,000	2,702	1,932

Sources: Statistical Year-Book of the League of Nations, 1938-39.

September 19, 1944
4:00 p.m.

BANKERS' COMMITTEE MEETING

Present: Mr. D. W. Bell ✓
Mr. Haas ✓
Mr. Tom K. Smith
Mr. R. B. Newell
Mr. Lawrence Arnold
Mr. Wm. R. Kuhns
Mr. J. K. Lohead
Mr. Robert V. Fleming
Mr. C. E. Spencer
Mr. W. R. Burgess
Mr. A. L. M. Wiggins
Mr. Heggeman
Mrs. Klotz

H.M.JR: Well, Mr. Bell.

MR. BELL: I thought it would be a nice thing for you to see these gentlemen for a minute. Some of them are going home tonight and will not be here tomorrow when they make their final report. I think they have about made up their minds as to what they are going to say to you, but they wanted to have tomorrow morning to write a report for you on the agenda that we have given them.

I don't know what time you think you might be ready tomorrow, Lee, to see the Secretary.

MR. WIGGINS: We hope to have the report prepared tonight, and then in the morning we would like to go over it, and then after that any time that suits your convenience, Mr. Secretary.

H.M.JR: About the only time I could do it tomorrow would be somewhere around eleven-thirty.

MR. WIGGINS: That is all right.

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H.M.JR: May I say that the shoe is on the other foot. I appreciate you people coming down here to help us. I can't be very punctual. I may be five or ten minutes late, and I may be on time, but approximately eleven-thirty.

MR. BELL: I think it would be fine for them. It gives them the morning to go over what they write tonight.

H.M.JR: Does anybody want to give me an inkling of how you feel this evening, while you are sober?

MR. WIGGINS: We wanted to say a couple of things; particularly we wanted to tell you something about the efforts that we made in the Fifth War Loan, more or less as a preliminary to what we are planning to do in the Sixth through ABA activities, through organized banking.

As you know, we appointed this committee with Tom Smith here as chairman, and I would like for him to tell you just what we have in mind as part of our participation in the Sixth Drive.

MR. SMITH: If you don't mind, Henry, I will just review the background to the committee. You recall in the meeting in March, the suggestion was made by, I think, Gamble, or some Treasury Representative, that we appoint a committee to cooperate in the Fifth War Loan. We did that, the idea being to supplement the activities of the State organizations with the idea of making certain that bank depositors were properly assisted.

Now, of course, from the very beginning it was necessary for us to observe the rule of the Treasury to State autonomy, which meant that we prepared the plan, presented it to the States, and in a good many cases we were informed that the organization was adequate and that it would be impossible to make any changes at that time. It was only six weeks before the campaign started. We found that it did fit in, and much to our surprise we were credited with furnishing assistance in about half

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of the States, which is quite an accomplishment, we think, but not satisfactory to us.

This doesn't mean that the bank depositors wouldn't have been solicited if we hadn't had this organization, because in most of the States, or in a large number of the States, the War Finance organizations are headed up by bankers, and a large number of the personnel are bankers, but it did mean that they recognized, or gave us credit for helping them.

H.M.JR: The last time I saw you gentlemen, I questioned how much you had done, and some of you very politely told me that I didn't know enough about what had been going on in the field, as I remember it, and that the bankers had been doing much more--

MR. SMITH: That had to do particularly with advertising and with the other--

H.M.JR: No, no, it was about the accounts, wasn't it, Randolph?

MR. BURGESS: That is right.

MR. SMITH: We think our work has helped the solicitation. We have made a survey by ourselves, and it has been surveyed by the War Finance organization, and then the different departments have had some independent surveys. And on the basis of that, we have set up--I am hurrying it because all I want to give you is an outline; Mr. Gamble, Mr. Haas, and Mr. Bell are all familiar with it--we believe the work is worth while. We set up our plans, which are being completed now, to go ahead in this campaign. The literature is being surveyed by Mr. Gamble's department, Mr. Kuhns-- Mr. Kuhns is secretary of the subcommittee--and Mr. Heggeman, who is my assistant in St. Louis.

We think it will be necessary to revamp our personnel to a certain extent, changing some State Chairmen, and that will be done. In the meantime, we are having a meeting in Chicago of all the State Chairmen. We expect to ask our State Chairmen and members of the committee and subcommittee

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to attend the regional meetings that Mr. Gamble is holding and to mingle with his organization so as to coordinate it, and then continue to supplement the work of the War Finance organization. That is the story.

H.M.JR: Well, there are two things that I would like you people to give me your opinion on tomorrow. One is, what can we do about recommendations? And, two, if and when fighting stops in Germany--whenever it happens, what do we do in the way of sales appeal to get these people to continue to buy both the extra bond and the pay roll deduction? Now, frankly, I haven't had a satisfactory answer from anybody on that, and just this hate Japan business, I don't think is enough. If you people have thought about it--and I am sure you have--I would very much like your advice. When the fighting stops in Germany, what are we going to say to the American public to get them to buy bonds and also to hold their bonds? So if you would think about that and give me your best opinion, I would be tickled to death to have just a horseback opinion.

But I do think if this group and the American Bankers would think about it--I personally just don't know what the answer is, because, take the airplane industry, for instance, which, I guess, is as clear a picture as any as to what is going to happen when the fighting stops. What are you going to do with these people? How are you going to appeal to those people in that industry to buy war bonds, or to hold their war bonds? Anything on that would be most helpful to me personally, and to the Treasury, because I am, frankly, worried as hell about it as to how we are going to approach them, just as a straight selling proposition. Everything has been fine until now, but after that day, I don't know. And to me that is ten times more important than the basket and that sort of thing. I mean, we have learned that now pretty well. We may argue about a sixteenth or an eighth or a couple of years one way or the other, and raise the bill from three-eighths to a half. I have listened to all of those old arguments, but this other thing is going into completely new territory, and I frankly need help and advice.

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MR. WIGGINS: On the recommendation side, Mr. Secretary, you were referring particularly to the post-German-war redemptions?

H.M.JR: Yes.

MR. SMITH: You want to know what you can do to stop it?

H.M.JR: I don't know whether we can, but I would like suggestions. You people are vitally interested in it.

MR. SPENCER: I think you have done one very good thing in getting it set up so the banks can make this redemption so the man doesn't have to wait two or three weeks. If he can bring a twenty-five dollar bond in and get what that calls for, with no waiting, the chances are he isn't going to get all his bonds or half of them together because he would have to wait what looked like a long time.

H.M.JR: That is Mr. Bell's idea.

MR. SPENCER: There will be a tendency to hold them back.

MR. BELL: We haven't this matter you just discussed on the agenda. We had it on the first draft and took it off, I am sorry.

H.M.JR: Well, this is something which bothers me at night.

MR. BURGESS: We have already discussed it some with Ted Gamble. The type of appeal has to be modified somehow. You just can't have a war appeal; it has to be more like the kind of thing in that booklet of Judge Vinson's. Judge Vinson asked the War Advertising Council to get him up a series of advertisements on planning your family budget and savings and spending, and so forth. I went over the stuff on Saturday. It was assigned to one of the advertising firms. They have done a very good job. That is something that could be sent out after the drive. In fact, we have been considering whether it would be appropriate

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for us to get behind that and send it out ourselves, recommending it to the banks as the kind of thing that they could use.

MR. BELL: We helped on that.

MR. BURGESS: Yes, you are paying the bill, I believe.

H.M.JR: Sixteen thousand dollars' worth.

MR. BURGESS: It is a pretty good job. I think the ads have a real appeal; they get that savings appeal, the more selfish appeal, perhaps, but you have to get that.

H.M.JR: But, Randolph, you who went all through this New York State thing and have been in the trenches on it, put yourself mentally back there. You can no longer use "Back the Attack," and all that, you know.

MR. BURGESS: No, I think "Finish the Job," or "Stand by your G. I. Joe in peace as well as war and keep a stable economy;" those are the kinds of things that you have to play up, rather than "Back the Attack."

H.M.JR: Well, anything that you people can give me will be gratefully received.

SEP 19 1944

Dear Mr. Wiggins:

Now that the Fifth War Loan is over and we have had an opportunity to apprise its results, I want to express to you, and to the members of the American Bankers Association, my sincerest thanks for your splendid cooperation.

It is a source of deep personal satisfaction to me, as I know it must be to all your members, many of whom serve on our state and local War Finance Committees, that we were able to top all the quotas which we established before the drive began. As you know we sold more war bonds to individuals than ever before as a result of the increased emphasis we placed on the personal solicitation of potential investors in which your membership actively participated.

The A.B.A. "Plan of Action" formulated by the special War Loan Committee under your leadership is a sound program. I hope it will be broadened and intensified during the next war loan drive so that virtually every bank depositor in the country will be asked to buy bonds by the bank to which he looks for financial leadership and advice. The task of financing the war must go on until final Victory and Peace are assured, not only in Europe but throughout the world, and we are counting on the continued support of your association in this great effort.

In closing, may I extend to you my personal congratulations on the success of your administration as president of the American Bankers Association.

Sincerely,

(Signed) H. Morgenthau -J.

Mr. A. L. M. Wiggins, President
American Bankers Association
22 East 40th Street
New York, N. Y.

SEP 19 1944

Dear Miss Newcomer:

This is in reply to your letter of September 9, 1944, containing suggestions on further work in connection with the Bretton Woods program.

I am glad to hear of the work you are doing. We are now arranging with the American Association of University Women and with other organizations a series of meetings that will extend from November to February. It is our hope that you will participate in these meetings and speak to a number of groups.

Members of the Treasury staff have recently spoken to Mrs. Dulles about her participation in the contemplated program for informing the public on the Fund and the Bank. It is our intention to make use of Mrs. Dulles in the meetings we are planning, particularly the meetings of women's groups.

Sometime in the near future, I expect to call a meeting of the American delegation to consider what may be done to further the Bretton Woods program. I hope you will be able to attend the meeting.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Miss Mabel Newcomer,
Vassar College,
Poughkeepsie, New York.

EMB:lr 9/14/44

2066

VASSAR COLLEGE
POUGHKEEPSIE - NEW YORK
Department of Economics, Sociology & Anthropology

Sept. 9, 1944

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

Dear Mr. Morgenthau:

I have just read an article on the Bretton Woods Conference appearing in the Foreign Policy Association's Foreign Policy Reports for September 1st. I understand that the article was written by Eleanor Dulles, although her name does not appear in connection with it. It seems to me to be an excellent report and it has occurred to me that Mrs. Dulles might be willing to do more publicity for the Conference -- perhaps an article on a more popular level, or speaking to women's groups. She writes well, and as she formerly taught in college she probably speaks well also.

For my own part, I have just written a pamphlet on the Conference for the American Association of University Women, and a shorter article for our Alumnae Magazine. Also, I have a considerable program (mostly still before me) of speaking to student groups at different colleges and universities, and to women's organizations. The latter are mostly group leaders from the League of Women Voters and other organizations. I am speaking to the Association of American Bank Women at their annual meeting in Chicago, and later in the winter expect to make an extended trip to the middle west and Pacific Coast for the Seven Women's Colleges, speaking on this subject.

I am keeping in touch with Mr. Luxford, and shall be glad to continue to do whatever seems most useful. May I thank you again for the opportunity to attend the Conference. It was indeed a privilege.

Sincerely yours,

Mabel Newcomer
Mabel Newcomer

SEP 19 1944

My dear Mr. Chen:

I am pleased and encouraged that you should have followed so closely the deliberations of the monetary conference and that you approve what was done.

To me the most pleasing feature of the conference was the apparent genuine desire of all the delegations to work together and to accomplish something useful. All seemed to feel that we must make a success of world cooperation.

That mood, I think, even more than the actual agreement reached at the conference justifies your belief that the United and Associated Nations "have sown the seeds for future peace and economic stability."

I am happy to know that the Vice President was so well received and made such a good impression in China. I felt sure that your countrymen would not fail to discern his great worth.

Appreciating your friendly personal greeting, I send you my warmest good wishes.

Sincerely,

Secretary of the Treasury.

(Signed) H. Morgenthau, Jr.

Mr. K. P. Chen
Chungking, China

HEG/mah



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K. P. CHEN
PRIVATE OFFICE

Chungking, 26th July, 1944.

My dear Mr. Morgenthau,

I have been following the progress of the International Monetary Conference in New Hampshire with the deepest interest. Its successful conclusion must be a source of great gratification to you and is indeed a matter for congratulations to you personally.

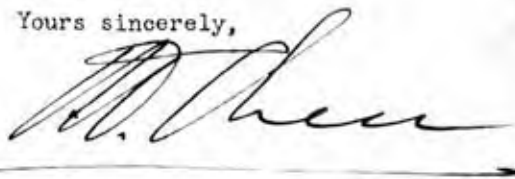
The ground covered by the Conference appears to be very considerable and by reaching agreement on such far reaching fundamental principles, I feel sure that the United and Associated Nations have sown the seeds for future peace and economic stability without which progress in the world would be well nigh impossible.

We were all very glad to receive the visit from Mr. Henry Wallace. He made the deepest impression on all with whom he came into contact. I trust that he carried back with him some pleasant memories and impressions.

The forthcoming Presidential election must give you much preoccupation in addition to your onerous duties in the Treasury. I avail myself of this opportunity to send you my best wishes for your good health and success.

With my kindest regards,

Yours sincerely,



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

Treasury Department
Division of Monetary Research

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Date Sept. 19, 1946

To: Secretary Morgenthau

You may want to glance at the
appended note.

H.D.W.



MR. WHITE
Branch 2058 - Room 214½

Treasury Department
Division of Monetary Research

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Date..... September 18, 1944 ..19

To: Mr. White For your information

From: Mr. Adler

Subject: The news from China.

Things are beginning to move in China and the inevitable loss of Kweilin will accentuate the movement. The chances of the first stage, in which the Generalissimo will have to reshuffle his Government, being reached in the near future are quite bright.

I am appending Brooks Atkinson's excellent article from today's New York Times. It is so good that I suggest it be called to the Secretary's attention. The very fact that he could get an article referring to the present government as the "moribund regime" past the Censorship itself shows the way things are blowing.

Also appended are articles from Friday's and Saturday's New York Times to bring you au courant on the present status of the negotiations between the KMT and CP which have not registered much progress to date. However, the pressure on the Generalissimo from all sides is so great that he will be hard put to it to avoid making some compromise. The Nelson-Hurley mission will bear watching after all.

The AP despatch from today's Times with its frank criticism of Chinese military ineptitude is significant in that it is obviously "inspired". Before I left China such an article could never have gotten past our own military censorship.

CHINA FAILS TO WIN ACCORD WITH REDS

Long Negotiations Bring No Agreement—Chungking Cites Increased Red Demands

By BROOKS ATKINSON

By Wires to The New York Times

CHUNGKING, China, Sept. 14—

No agreement between the Central Government and the Chinese Communists has been reached, according to Dr. Wang Shih-chieh, one of the two Government representatives in the negotiations that have been going on for four months. Tomorrow Gen. Chnag Chih-chung, who is the other Government representative will report to the People's Political Council the result of the talks. Lin Tzo-kan will make a parallel report for the Communists.

It is expected that the People's Political Council members without party affiliations will make some recommendations that may result in further negotiations. Meanwhile it is possible to present the Government side of this critical political issue that is dividing China. Some of the Communist case has already been reported in previous dispatches.

According to Dr. Wang, the Communists increased their demands between the time he and General Chang met Lin Tzo-han at Sian on May 3.

"The beginning the demands put forth by the Communists were not very far from the concessions that the Government was prepared to make," Dr. Wang said today.

Demands Increased

Between first meeting and the second which was held at Chungking on June 5 the Hunan campaign had gone against the Government disastrously. According to Dr. Wang, the Communists then presented a different set of demands that created a wide divergence.

"In Sian," he said, "Lin demanded twelve divisions for the Communists' army but later was instructed to demand sixteen divisions. In Sian Lin demanded Government recognition of the Communist government in the north Shensi border area only. Later, he was instructed to demand Government recognition of many scattered Communist regimes in other areas.

"The position of the Government can be stated plainly," Dr. Wang

Japanese Only Twelve Miles From Kweilin As They Drive Toward U. S. Air Base There

CHUNGKING, Sept. 14 (UP)—Japanese troops streaming southwest along the Hunan-Kwangsi Railway toward the American air base at Kweilin have plunged to within about twelve miles of the town of Chungchow, in northeastern Kwangsi, and severe fighting is raging along both sides of the Siang River north and northeast of Chungchow, the Chinese High Command reported tonight.

The double-edged enemy offensive aimed at Kweilin also gained from the south, where three reinforced enemy spearheads lanced into the suburbs of Limkong, in Kwangtung Province fifteen miles from the Kwangsi border.

Foe Four Miles from Paoking

Japanese flanking columns north of Hengyang-Kweilin Railroad in Hunan Province yesterday pushed to within four miles of Paoking, sixty-three miles west of Hengyang. However, repeated enemy attempts to reduce the city's outer defense ring have been frustrated by the Chinese defenders in "fighting increasing in intensity," a Chinese communiqué reported.

The United States Fourteenth Army Air Force, its big bases at Kweilin and Luichow imperiled by the advancing enemy, continued to lash at Japanese supply lines throughout the central and southern China battlefield. Mitchells heavily bombed a Japanese position on the Siang River east of Kiyang in southwest Hunan, while other aircraft raked roads to the northeast toward Hengyang.

Heavy bombers pounded Japanese concentrations and supply

continued. "It is prepared to make concessions to the Communists so long as they do not amount to virtual independence and so long as the Communists accept the orders of the High Command for effective prosecution of the war.

"The Government has consented to grant autonomy in the fullest possible measure to the Communist government in the north Shensi border area regarding the appointment of personnel, the making of local regulations for finance though, of course, the Communists should not issue their own currency. The Communist army should comprise ten divisions that would receive equal treatment, pay and arms.

"The Government does not propose to interfere with the personnel of the Communist army. The Government has promised to con-

sider the removal of the so-called blockade of the border area when agreement on the other points is reached."

Some Promised Reforms

According to Lin Tzo-han, the Communists have a regular army of 470,000 troops, roughly forty-seven divisions.

Dr. Wang says the Communist demands for the immediate convocation of a National People's Congress and the immediate establishment of democratic government are impossible.

"While Manchuria and other provinces are cut off from Free China, nation-wide elections are impossible," Dr. Wang said. "The governments has also promised all political parties, including the

Communist, will receive equal status within one year after the war, when a constitutional government will be set up.

Dr. Wang said that the Communists have invited him and Gen. Chang Chih-chung to visit Yenan, which is the Communist capital, for a thorough exchange of views with their leaders.

"We are ready to accept this invitation," he said. "If some of their important leaders will come back to Chungking with us after the exchange of views I shall certainly urge the Government to continue to exercise the greatest patience, so that the policy of political settlement of the Communist question can have a maximum chance of success."

Dr. Wang declared that the current session of the People's Political Council has been more critical of Government corruption and inefficiency than any previous one.

According to Dr. Wang, the Government has decided to expand the membership of the council by increasing the number of members chosen by the provincial councils from 240 to 300 and will increase the directly appointed members from 60 to 70.

Consultation on Budget

Henceforth the national budget, which previously was never presented to the People's Political Council, will be submitted for examination and comment before final adoption by the Supreme National Council. Henceforth the People's Political Council will also have the privilege of investigating any part of the Government and submit criticisms and recommendations.

Since the People's Political Council members are not elected to actual legislative powers, these new privileges represent an expansion of the People's Political Council functions in the direction of democracy without being actually democratic in nature.

As a result of the military reverses in Hunan, this session of the Hunan People's Political Council severely criticized China's military administration, with particular reference to the poor condition of the troops.

Dr. Wang said that tomorrow the Government would announce a plan designed to improve the conditions of the soldiers.

"According to this plan," he said, "landowners of the country will be required in the years 1944-1945 to make a special contribution of 20,000,000 piculs of rice, worth 45,000,000 Chinese dollars, in addition to an annual land tax of 8,000,000 piculs. All this additional contribution and the major part of the land tax will be earmarked for the best treatment of the rank and file of our fighting forces."

Japanese Air Claims

A Japanese Imperial Headquarters communiqué, broadcast Thursday by the Tokyo radio, claimed that during August Japanese airmen shot down fifty-eight American and Chinese planes over China and "set afire or heavily damaged" 274 more.

The enemy broadcast, recorded by the Federal Communications Commission, also claimed a toll of seventeen American planes destroyed and sixteen damaged in air combats over north Burma during the month.

The Associated Press reported a Domei broadcast saying that Japanese troops invading Kwangsi Province from the north had occupied the town of Chuansien, on the Hengyang-Kweilin railway. Chuansien is six miles over the Kwangsi border and sixty-seven miles from the important northern Kwangsi center of Kweilin. It is twenty-eight miles southwest of the enemy-captured American air base at Lingling.

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Communist Tells Chinese Council Of Efforts to Speed Democracy

By BROOKS ATKINSON
By Wiretrans to The New York Times.

CHUNGKING, China, Sept. 15.—For the first time the problem of the relations between the central Government and the Chinese Communists has been discussed openly under Government auspices.

Also for the first time the Communists' delegate has addressed the People's Political Council from the front of an auditorium. At this morning's crowded session Lin Tao-han of Yen-an, the capital of Communist China, gave a seventy-five-minute account of his negotiations with Government representatives during the past four months. Before and after his address he was applauded cordially.

At the afternoon session Gen. Chang Chih-chung gave an account of the negotiations from the Government's point of view. Seven documents describing the negotiations were distributed to PPC members. Members of the PPC voted to send a delegation of five non-party members to Yen-an to make further investigation.

Although the PPC has no legislative or executive functions it is regarded as a great step forward to be able to discuss openly an old matter involving many vital military, political and economic issues, and also many Government officials.

"Today's discussion was in harmony with the increasing freedom the press has just begun to enjoy in Chungking. Although it cannot be said that free speech has come into existence over night, it is evident that the current runs in that direction.

Causes for Stalemate

In his speech presenting the Communist point of view, Mr. Lin said the Central Government and the Communists were fundamentally divided on the issue of establishing democracy now and on the size and disposition of the Communist army. To fight a total war the people must be mobilized, Mr. Lin said. The Communists believe that cannot be accomplished until the Central Government has taken the first steps toward democracy by granting freedom of speech, legalizing other political parties and establishing local self-government.

Mr. Lin said the Central Government was willing to authorize and equip ten divisions of the Communist army, between 100,000 and 150,000, but, according to Mr. Lin, the Communist army now numbers 70,000 regular troops in addition to 2,200,000 in the People's Volunteer Corps, who are guerrillas.

He said the Central Government wanted the authorized divisions concentrated in one area on a specified date but that the Communists maintained this would open areas now patrolled by Communist forces to the Japanese. They fear, he said, that a concentrated Communist Army, without air support or artillery, might be annihilated by the Japanese.

The Central Government representatives maintain that the published documents give a different interpretation of this point. The documents say: "Before the conference takes place the various units of the Communist Army in the different war areas will come under the direction of the Central Government's local war area commanders for reorganization and retraining."

According to the Central Government interpretation local war area commanders would then be responsible for the security of the Communist Army.

Continuing, Mr. Lin said the Communists could not agree to the Central Government's demands that all Communist troops above the authorized ten divisions be dismissed.

Mr. Lin charged that the Central Government's demand that, apart from the governments of the North Shensi border area, all local governments behind the enemy's lines should be dismissed would play into the hands of the Japanese. These governments were elected by the people and the Communists lack authority to dismiss them, Mr. Lin stressed.

Although the Central Government has liberalized the censorship, Mr. Lin listed recent incidents in which material in the Chungking Communist newspaper had been censored.

Charges Paper Was Censored

Although the Central Government promulgated China's first habeas corpus decrees Aug. 1, Mr. Lin pointed out that General Yeh Ting, commander of the New Fourth Army, had been under arrest since 1941 and had not received a trial.

After criticizing the personnel and efficiency of the Kuomintang—the government party—and discussing other differences between the Central Government and the Communists, Mr. Lin concluded his address by asking for the formation of a coalition government now.

"We hope the Kuomintang will abandon one-party government immediately," he said. "We would like to have a national congress called immediately to discuss national affairs openly. It should include representatives of local governments, of popular organizations and of all parties that are willing to fight the Japanese. Only then can China's total strength be concentrated against Japan.

"A coalition government would quicken the hearts throughout China and encourage troops at the front and our armies could coordinate with the United Nations counteroffensive against the Japanese from China." General Chang, in reply, read seven documents relating to the negotiations and expressed hope that the differences could be solved.

"This question," he said, "cannot be solved by the government but must be solved by the people."

He said the release of political prisoners had been promised and could be easily arranged.

U. S. Fliers Destroy Own Base After Kweilin Defenses Collapse

By The Associated Press.

KUNMING, China, Sept. 17.—The United States Fourteenth Air Force has destroyed and virtually abandoned its air bases near Kweilin, provisional capital in invaded Kwangsi province, it was disclosed today, in the face of a grave Japanese threat not only to that city but also to the whole structure of the American military effort in this country.

Chinese reverses in the Hunan-Kwangsi area in recent months have brought among some observers here a critical reevaluation of the Chinese war potential. The reverses are generally put down to ineptness and confusion of command, lack of integrated communications and many other deficiencies.

[The Chinese High Command said that one of four Japanese columns striking westward from Canton had pushed to within fifty-three miles of Kweilin while farther north a column pounding down from Hunan Province split at Taohsien, ninety miles east of Kweilin. One element pressed on west for a frontal assault while the other cut southwest in an apparent attempt to encircle the city from the south.]

There has never been any question of the valor of the Chinese soldier. "In guts he can give us lessons," said one American. But his handling against the present Japanese drive has resulted in the collapse of plans for the defense of Kweilin on its distant approaches. A Fourteenth Air Force officer

said a shining exception to the story of ineptitude has been the performance of Gen. Hsueh Yueh, commander of the Ninth War Zone. Pitifully under-armed, the general's men were used to the strongest advantage. But now the brunt of battle has passed from the Ninth to the Fourth, Sixth and Seventh War Zones.

Chungking has issued orders have indicated a disregard or a disregard or a lack of knowledge of field situations. An example was the declination of one army that, evidently for reasons of "face," was ordered to drive back into Hengyang when it might have been digging in for the defense of Kweilin.

This army disintegrated when the Japanese threatened to envelop it. Survivors took to the hills to fight on as guerrillas.

As an example of the Chinese confusion on the eastern front, 200 Japanese or puppet troops in civilian garb lured a whole division into position for destructive flanking attacks by a major Japanese force near Hengyang.

One hears that the little artillery the Chinese had, including a few pack howitzers the Americans furnished for training, was used in a generally ineffective manner. On at least one occasion the guns were so placed they could not even reach the Chinese front lines.

The Chinese made the mistake of sending a handful of old Russian-manufactured tanks against a Japanese anti-tank gun without artillery support, although such support was available, and lost two of them.

At times Chinese infantry has been thrown into an attack simply for the sake of attacking with no specific mission. On at least one such occasion they were chopped to pieces by Japanese machine-gunners.

Dysentery has taken a terrible toll. In hot weather the Chinese drink the water from rice paddy fields.

The army ordered to re-enter Hengyang actually fought into the city's east station, but lost 200 officers and 5,000 men before withdrawing.

A chest or abdominal wound for a soldier was virtually the same as a bullet through the head, for generally speaking, only the walking wounded could be evacuated. The others were abandoned.

The Fourteenth Air Force was the most substantial firepower the Chinese had and the Eastern front offered the paradox of unsuccessful defensive action aground despite clear superiority in the air. Day after day, fighters and fighter bombers delivered deck level attacks exposed to concentrated Japanese ground fire, which has shot down far more planes than enemy aircraft has been able to do.

Chinese commanders seldom if ever attacked a position on the heels of strafing and bombing attacks.

Divisions in the Ninth War Zone commanded by General Hsueh, the Governor of Hunan Province, together with continued pressure of American air attacks remain a threat to the Japanese supply line from Yochow south through Changsha and Hengyang. Chinese hold Chuting, on the railway about midway between Hengyang and Changsha east of the Siang River,

but because the bulk of Japanese supplies are moving south on a road west of the river this flank position should not be overestimated. Thousands of General Hsueh's men lack even rifles.

The general sent troops southwestward in an attempt to intercept the Japanese at Lingling after the fall of Hengyang, but his move was nullified by a collapse of other Chinese forces. The fate of this force is not known but it may have been trapped.

Latest intelligence estimates Japanese strength headed for Kweilin along the railroad and highway at 22,000, while the flanking force at Taohsien, ninety miles east of the city, is estimated at 8,000. The entire force in the southward drive may number 100,000.

The Japanese are using the familiar tactic of sending out troops in civilian garb who spread terror among the civilian population, synchronizing their activity with assaults by uniformed cavalry. Sometimes the plainclothesmen shove as far as twenty miles ahead

of the main force, mingling with refugees and often carrying grenades and small arms in rice baskets on shoulder poles.

CHINESE NOW FREE TO DISCUSS EVILS

New Trend Shown in Council's Debate on Corruption and Inefficiency of Old Guard

DISCONTENT WIDESPREAD

But Radical Changes in Rule by Chiang Kai-shek Are Not Expected During War

By BROOKS ATKINSON

By Wireless to The New York Times.

CHUNGKING, China, Sept. 17— Suddenly a breath of fresh air has begun to rush through the stagnant miasma of Chungking. Newspapers and the people have begun to express at least something of what is on their minds.

No concrete orders have been given by Generalissimo Chiang Kai-shek to relax the censorship that has been tightly strangling China for years. But he has orally advised the Board of Censors to pass within reason everything that is factually true.

Never before have delegates to the People's Political Council spoken so sharply to Government Ministers about corruption, inefficiency, repression, the shocking treatment of Chinese soldiers and other evils of the moribund regime and never before have Chinese newspapers reported speeches and criticisms so fully.

In view of the fifteen years of bitter relations between the Kuomintang [the Government party] and the Chinese Communists it was a historic day when Communist and Kuomintang delegates were able to report frankly to the People's Political Council the complicated story of their unsuccessful negotiations.

Increasing Candor in Press

For a month the Chinese press has been discussing China's internal problems with increasing candor. It is no longer taking refuge in academic comments on foreign themes.

Yesterday China's leading independent newspaper, Ta Kung Pao, said:

"The Chinese people want to be the inhabitants of a democratic country with a constitutional government. As such we demand national unity, political freedom and economic equality."

Six weeks ago this crisp statement on China's sorest needs could not have been published.

There is an ancient Chinese proverb that has been frequently repeated by Chinese liberals recently, "It is more dangerous to stop the mouth of the people than to dam the mouth of a river." Six weeks ago members of the Central Government were telling me that I would find the censorship less rigid soon. That has happened.

To imply that freedom of speech has sprung full armed from the leathery forehead of the Kuomintang would be overenthusiastic. The party and Central Government still have many checks on the freedom of the individual who must earn a livelihood under an experienced authoritarian regime. But today Chinese and foreigners are visibly excited by the relative buoyancy of this week's political climate.

Still One-Man Rule in China

Everything of political consequence that happens in China is the result of decisions made by the Generalissimo. His one-party Government is in the final analysis a one-man Government. Since no one else has authority to accept responsibility without getting into political trouble, no one else makes even minor decisions.

Most persons do not know much about the Generalissimo's moods. His public declarations are formal and guarded. Only a few familiars know what he is thinking, what sort of information he is acting on, and even they are not certain as to what he is going to do.

The causes of the recent change in the tone of political life here, therefore, are matters for speculation only. But with the Japanese rapidly approaching a point where they can cut off half of what is left of unoccupied China and with the Japanese applying fresh strength to the Salween campaign on the Burma Road, it is obvious that China's military situation is increasingly dangerous.

Whatever the rights and wrongs of the Central Government-Communist feud may be, the resulting fact is that China is unable to bring her full military strength against Japan. The Communist armies have neither the equipment nor freedom to fight the Japanese efficiently.

Between 200,000 and 300,000 Central Government troops who might conceivably have prevented or minimized the Honan disaster have wasted many manpower years in blockading the Communists.

Other Sources of Discontent

There are many other sources of discontent in China. Many political and intellectual groups are clamoring for recognition or for a chance to participate in the Government.

For purely selfish reasons China's allies, notably America, are interested in a unified China under the generalissimo's leadership to prosecute the war vigorously. The recent secret missions of Vice President Wallace, Donald M. Nelson and Maj. Gen. Patrick J. Hurley must have had some bearing on that issue.

Other things that vex China are an alarming decrease in industrial production, motor transport, which is limping on its last wheels; inefficiency in the military organization, continuing inflation, the widespread corruption in taxation, the manner of conscription of army recruits and the too-large number of public servants.

The Hunan campaign has added

to the troubles by depriving China of a rich food area and several essential coal mines.

Many other bad situations that have been ignored and some new ones that cannot be ignored have conspired to surround the generalissimo with many urgent problems requiring action. Believing that it is still possible to keep the old worn machine from being tossed on the scrap heap the Generalissimo is receptive to new suggestions and eager to make necessary changes.

Old Guard Is More Guarded

So far there have been no changes in the key personnel of the Government. It is a serious reflection on the Kuomintang that China has not developed new public servants for many years; the Old Guards are not only older but also more guarded as time goes on.

No radical improvement can be expected in China until the Generalissimo changes the government and eliminates misty ideas that have stagnated the regime. Quite apart from the government's willingness or unwillingness to establish a constitutional, democratic government now, there are many practical reasons why so radical a change is impossible or at least extremely difficult during wartime when two-thirds of China is occupied by the Japanese.

The generalissimo could form a

coalition government now without altering organic law. He has authority enough and personal prestige enough to take into the government representatives of the unrecognized parties, popular cultural organization and independent liberals. There are many excellent progressive men and women in China.

Excepting the current change in the tone of the censorship there is no concrete evidence that any decisive change is going to be made in the administration of this tired, impoverished, loosely knit, sprawling State. But it is exciting to speculate on things that might reasonably happen. There is no telling what good things might happen, once a people are able to talk frankly about bad things.



TREASURY DEPARTMENT
WASHINGTON 25



September 19, 1944

MEMORANDUM TO THE SECRETARY

I am enclosing a list of the special items valued in excess of \$50,000 as of September 18, 1944.

A handwritten signature in cursive script, appearing to read "E. L. Olrich", written over a horizontal line.

E. L. Olrich
Assistant to the Secretary

Enclosures

PROPERTY FOR DISPOSALSPECIAL ITEMS, COST TO GOVERNMENT IN EXCESS OF \$50,000AS OF SEPTEMBER 18, 1944

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
1. <u>Automotive Products</u>			
<u>AUTOMOTIVE PARTS, OBSOLETE, USED</u>			2 000 000
<p>Majority are used, having been taken from used vehicles and put in stock. There are acres of used bodies, fenders, cowls, cabs, etc., at Blue Grass, Ky. and Fort Crook. Spot check inspection list has gone to Chrysler as a test action on disposal. Other lists are going to other manufacturers. The regional offices have been authorized to dispose of parts occupying 75,000 sq. ft. of space.</p>			
<u>AUTOMOTIVE PARTS, NEW</u>	25 000 000		18 000 000

These are new, small parts; not obsolete and used bodies and tanks, etc., such as we have at Fort Crook, Nebr. and Blue Grass Ky. Large quantities on recent declarations are bolts, nuts, spark plugs, fuses - called "parts common" that can be used on any motor vehicle. Disposal plans are being formulated.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>HYDRAULIC FLUID</u>	378 459 gals	\$1.74	658 580
<u>TIRES AND TUBES, NEW & USED</u>	80 000		587 000

Needs reprocessing. Was supposedly withdrawn by Army last June. We are now waiting manufacturers decision as to re-purchase. We have his offer of \$.51 a gallon for 100,000 gals.

60,000 units will be re-purchased by tire trade in same manner as previous lot of 99,000. Another 8,000 are being handled by two special deals. The balance, of about \$78,000 in value will be offered on open bids by regional offices. These are odd sizes and ancient and obsolete tires.

2. Textiles and Wearing Apparel

All textiles and clothing in the hands of disposal agencies have been temporarily frozen to enable the Army to make selections for use in a program for occupied countries.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>APRONS, IMPERMIABLE</u>	79 449	5.00	174 800
<p>Rubber coated apron, with sleeves, designed like an operating gown. Has very little use, except to cut up to salvage the material. Sample has been received and shown to possible purchasers.</p>			
<u>MAGAZINE BELTS</u>	55 369		130 325
<p>Samples received - very little interest shown.</p>			
<u>BELT POCKET FOR CARTRIDGE CLIPS</u>	1 000 000	.10	100 000
<p>Web pocket with fastener. Radio advertiser is taking quantities under option as requests from program develop. Price received \$0.06</p>			
<u>MOSQUITO BARS, WITH RODS</u>	669 000	5.90	3 947 100.
<p>Rectangular tents of mosquito netting. About 300,000 reported as new turned out to be used and patched. Export deal for used items is being worked on. If successful, this will take care of 50% of the lot. Domestic sales at \$1.50 are continuing in small lots.</p>			

	<u>QUANTITY</u>	<u>UNIT PRICE</u>	<u>COST TO GOVT.</u>	
<u>LEGGINGS</u>	213 280 pr		109 833	
World War I stock, good only for salvage. Now being authorized for sale by regions.				
<u>GLOVES, RUBBER, ANTI-GAS</u>	742 000	1.00	742 000	X
Gauntlet type. We have been advised unofficially by Army that they are withdrawing this item.				
<u>SLIDE FASTENERS</u>	8 500 000	.19	1 615 000	x
Manufacturers will probably repurchase at cost price. Inventories have been received and have been distributed to original manufacturers.				
<u>HATS, ARMY SERVICE</u>	45 928	3.00	137 784	
The old-style broad brimmed campaign hat. Of original amount 91,000, half have been sold. Negotiations in process for balance.				

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>W.A.C. CAPS</u>	76 712	2.20	168 766

Samples have been given to exporters and others. This is an item that is hard to dispose of.

<u>CARRIER, GAS MASK</u>	400 000	1.00	400 000
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New item - samples awaited.

3. Machinery

<u>CONSTRUCTION MACHINERY, HEAVY</u>	4 809	1 000 (average)	4 809 000
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General inventory of used machinery, most of it in very poor condition. Sales are being made regularly but inventory mounts.

<u>ICE GROUSERS, NEW</u>	76 726 pieces	2.70	207 160
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Ice gripping shoes to be attached to special rubber tired treads of high speed military tractors. Each weighs 6 lbs. A tractor needs 296 pieces. There is no known application on standard machines; no market, except for scrap. Publicity being released.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>GROUSERS</u>	43 853	3.00	131 559

Reported as new grousers for tractors, i.e. shoes to be bolted to the flat tracks of crawler tractors. Inspection proved that they were simply short pieces of mild steel (structural) angle iron with punched holes. They were made as an improvisation for use in the soft going in Burma but were impractical.

4. Furniture

<u>PILLOWS, NEW AND USED</u>	806 145	.73	588 485
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Some cotton, some feather, some mixed. 118,000 new, 688,145 used. Moderate sales of new pillows continue regularly.

BED PARTS

Springs, heads, feet, and side rails; unassembled. Negotiating with bed mfrs. regarding repurchase.

65 000

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>MATTRESSES, NEW AND USED</u>	840 682	5.50	4 623 751

212,911 new; 627,771 used. Large quantities of used mattresses are going into the manufacture of paper. This will provide a strong market for some time. New mattresses are selling in appreciable volume but quantity does not decrease much because of new declarations.

5. Hardware

<u>CHINAWARE</u>	1 000 000	.17	170 000
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Vitrified china with Medical Corps insignia. One-third of original quantity has been sold, or withdrawn by Army. Other government agencies and tax-supported agencies show interest. Sales will be started within a week.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>HARNESS</u>	11 524	5.60	93 476
New declaration - inspection report awaited for details.			
<u>SPURS, NEW AND USED</u>	261 000 pr	1.40 average	365 400
Publicity release is being prepared for issue this week, as purchases for use as novelty give-a-way by radio advertiser are relatively small.			
<u>SCABBARDS, BOLO</u>	114 290	1.60	190 864
Obsolete item. No bolos available - a short, curved, heavy blade-knife. Many inquiries have come from department stores as a result of publicity. Sept. 27th has been set as closing date on bids.			
<u>SNOWSHOES, USED</u>	8 745	9.00	78 005
Serviceable, trail and bear paw type snowshoes. 3000 pr. sold at \$1.50			

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>SNOWSHOES, EMERGENCY</u>	21 837 pr	4.25	92 807
Paratroopers' special type, of no value for sport purposes. We have sold 1,000 pr. at \$1.00 each for children's use.			
<u>COVERS AND SEALS, RUBBER</u>	27 3/4 tons		169 245
Includes 3/4 ton seals, which are round rubber washers about 1 inch in diameter. There are 27 tons of new "covers" which are 2 in. lengths of black rubber hose - thin wall, about 1 inch in diameter.			
<u>HOSE, RUBBER, USED, 25 FT.</u>	27 840 plus short lengths		984 893
27,840 lengths hose, 2 inch and 2 1/2 inch inside diameter, plus 312,000 short lengths ranging from 2 inches long to 4 feet - mostly pieces a few inches long. This hose has been used for handling explosive material and is considered dangerous. It may be withdrawn.			

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>SMOKE GENERATOR PARTS (VEHICULAR)</u>			277 000

Small metal parts (values, fittings). Many are special and new uses will have to be found. Bids are being tabulated now.

<u>SMOKE GENERATORS</u>	67 600	3.50	236 600
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Obsolete, individual smoke pots with chimneys. Has been on bid with no offer over \$0.11 each. New bid expected this morning from Sears Roebuck.

<u>WOOD SCREWS, BRASS, NEW</u>	300 tons		357 000
	1 634 items		

New bid for entire lot to be received this week.

<u>BOLTS, MISCELLANEOUS</u>	8 103 482		2 053 399
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All sizes and kinds. We have "frozen" individual items where large quantities of one size or kind, if thrown on market, would disrupt the industry. When tabulations are complete foreign purchasers will be contacted with view of exporting some items. Smaller quantities will be put up for domestic sale.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>STAPLES, GALVANIZED</u>	2 319 645 pounds	4.52 per 100 lbs.	104 384
Made up for Lend-Lease export to Russia. Most are 2 inch, 8 gauge, galvanized. Majority of kegs are 100 lb. - a few are 35 lb. These staples are longer than the fence staples used in this country. Sales are being made in substantial quantities. At price near cost to govt.			
<u>MACHINE GUNS, ELECTRIC</u>	707	279	197 253
Practice gun. Suggested use for amusement purposes.			
<u>EMPLACEMENTS, MACHINE GUN</u>	32	5 300	169 600
Amount for a machine gun. No utility value know.			
<u>HEATERS, SPACE</u>	3 099	20. average	62 000
Magazine type. The two large manufacturers are coming next week to discuss disposal plan.			

	<u>QUANTITY</u>	<u>Unit Cost</u>	<u>COST TO GOVT.</u>
<u>SHOTGUNS</u>	1 880	55.	101 332
Manufacturers will submit re-purchase plan.			
<u>RESPIRATORS, DUST, COMMERCIAL</u>	61 127	1.00	59 293
Made for African combat use - some are suitable for industrial use. Manufacturer has made a re-purchase offer of \$.70.			
<u>SIRENS, NEW</u>	28 638	6.00 (approx.)	174 569
Hand warning device for combat use. In canvas case with shoulder strap. Have had offer of \$2.00 each - refused because too low. Higher bid expected.			
<u>LANTERNS, OIL BURNING</u>	34 460	3.00	107 316
Reported as "deck" lanterns by Navy, but are similar to typical farmer's or railroad lantern, with carrying bail - red globes. Region will sell on bids.			

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>MARKERS, MINE FIELD</u>	11 378 sets	6.85	77 937
Web fabric carrying case containing 30 metal pins (18 inch) with 4" x 4" metal flag marked "Danger". Pocket contains 2 rolls of narrow, yellow tape. National publicity being prepared.			
<u>RAFTS, PNEUMATIC, 5 MAN</u>	1 200	200	240 000
About one-third of original lot have been sold at established trade prices.			
<u>INCINERATORS, NEW</u>	34	9 818	333 812
Designed for human excretia but can be used for burning lower-water content material by remodeling at cost of \$1,000 each. Original manufacture is arranging director's meeting to decide on an offer to us for re-purchase.			

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>PLATFORM TRUCKS, STEEL, NEW</u>	8 000	75.	600 000

Steel trucks on casters, designed to move airplane engines undergoing repairs. National price of \$32.50 has been set and item has been advertised. Sales are being made in small quantities.

<u>IMPRINTING MACHINES, NEW</u>	52 636	21.95	1 052 720
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An Addressograph-plate press, portable, designed for Army Medical Corps identification purposes. Original manufacturer is developing a proposal for our consideration in regard to re-purchase.

6. Medical and Hospital Supplies

<u>MEDICINES AND ANTISEPTICS</u>			5 800 000
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This listing covers many declarations recently declared by Army. It is made up of various preparations of highly technical nature in great quantities. All are on new declarations. Samples are being obtained. Will be tested to determine quality.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>SURGICAL & DENTAL INSTRUMENTS,</u> <u>MEDICINES & SUPPLIES</u>			1 846 000

Mostly non-standard, obsolete, or deteriorated. Includes \$52,228 in N. Y. Depot, \$250,000 in Louisville Depot, and \$100,000 dental supplies at Perry Point, Md. Disposal policy for non-standard items is being formulated.

<u>DISK, METAL, ABRASIVE, 7/8"</u>	134 000 cards	.60	80 400
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Dental supply item - packed 6 disks on a card. New items. Inspection report awaited.

<u>SUTURES, SILK AND CATGUT</u>	13 000 000 tubes		2 397 000
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For sewing after surgical operations. All government hospital agencies and the Red Cross have been advised of availability. Government agencies not interested. Will be offered to original manufacturers.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>TEST TUBES, GLASS</u>	4 670 000	,03	140 100
Samples awaited.			
<u>PETRI DISHES, WITH COVER</u>	230 000	.27	62 100
Laboratory dish for making germ cultures. Sample awaited.			
<u>STERILIZERS, NEW AND USED</u>	1 381	300	495 037
Considered unsafe for medical department use by Army. Negotiations with manufacturer in process.			
<u>BANDAGES, MUSLIN</u>	134 584 doz.	:	128 034
Samples have not yet arrived.			
<u>DRESSINGS, FIRST AID PKGS.</u>	34 000 000		4 000 000

Samples awaited. About 1,600,000 are known to be a commercial product. Regions have been advised to arrange for withdrawal of all material that may be of Red Cross manufacture.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>BOXES, TABLET</u>	320 000 cartons	.40	128 000
500 boxes in a carton. Believed to be World War 1 stock. Samples awaited.			
<u>FLOSS, SILK</u>	510 000 spools		173 400
Samples awaited.			
<u>FLASK, WITH CUP</u>	200 000	.33	66 000
Made for soldier to carry liquid medicine in field - a small canteen. Probably of no commercial value.			
<u>BOTTLES, WIDEMOUTH, 250 CC</u>	201 307	.45	90 588
Samples being obtained. New item - no action as yet.			

7. General Products

<u>CAMERAS, AIRCRAFT</u>	96		307 386
Each camera has great variety of collateral equipment. Obsolete type. Physical inspection being made. Informal negotiations with Fairchild Camera Co. in process.			

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
<u>DRUMS, 55 GALLON, USED</u>	80 000	2.50	200 000

Scattered throughout country. Sales of moderate quantities are being made regularly at ceiling price of \$1.00.

<u>CRATES, WOOD, USED</u>	129 540	1.50	220 319
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Have been used for packing guns. Awaiting inspection and appraisal report.

<u>GASOLINE CANS, 5 GAL.</u>	1 500 000	2.00	3 000 000
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One million are "Jerricans" made after German model with spout that farmers like better than our regular Blitz can. Sales at rate of 25,000 per week have been made regularly, and are increasing.

<u>BATTERIES, DRY CELLS AND PACKS</u>			150 000
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Overage for Army use. New declarations come in and sales are reported regularly.

	<u>QUANTITY</u>	<u>UNIT COST</u>	<u>COST TO GOVT.</u>
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8. Paper, and Office Equipment

PAPER, FILTER

51 835

Special filter paper made for wrapping the cannister in a gas mask. In narrow rolls (5½" and 6½" wide). Tearing strength practically nil. Paper is very absorbent. Disintegrates in contact with water. Cannot be used as pulp. Very poor chance of reconversion to other uses. Publicity is being released this week.

Total \$66 881 247

SURPLUS MOTORCYCLE REPORT

For 7 Days and Period Ended, Sept. 16, 1944
(Period Began January 1, 1944)

	<u>7 Days to Sept. 16, 1944</u>		<u>Period to Date</u>
Total Motorcycles Declared		<u>344</u>	<u>12352</u>
Less Declarations withdrawn	<u>0</u>		<u>7</u>
Less Loans to Other Federal Agencies	<u>0</u>		<u>0</u>
Less Transfers to Other Federal Agencies	<u>0</u>	<u>0</u>	<u>210</u>
			<u>217</u>
Net Motorcycles Declared for Sale		<u>344</u>	<u>12135</u>
Less Motorcycles Sold		<u>229</u>	<u>5553</u>
Balance of Motorcycles on hand			<u>6381</u>

ANALYSIS OF INVENTORY

Inspected and ready for sale	<u>2916</u>
Not Inspected	<u>3666</u>
	<u>6581</u>

ANALYSIS OF DISPOSAL ACTIVITY

	<u>DECLARATIONS</u>	<u>DISPOSALS</u>	<u>INVENTORY</u>	<u>INVENTORY</u>
			<u>END OF PERIOD</u>	<u>CHANGE</u>
Period Ending July 29th	5644	4738	906	
4 Weeks Ending Aug. 26th	1938	577	2267	+ 1361
7 Days Ending Sept. 2nd	1186	38	3415	+ 1148
7 Days Ending Sept. 9th	3240	188	6467	+ 3052
7 Days Ending Sept. 16th	344	229	6581	+ 114

SURPLUS USED TRUCKS REPORT

For 7 Days and Period Ended, Sept. 16, 1944
(Period Began January 1, 1944)

	<u>7 Days to Sept. 16, 1944</u>	<u>Period to Date</u>
Total Used Trucks Declared	<u>1675</u>	<u>36233*</u>
Less Declarations withdrawn	<u>49</u>	<u>1058</u>
Less Loans to Other Federal Agencies	<u>0</u>	<u>145</u>
Less Transfers to Other Federal Agencies	<u>7</u>	<u>2843</u>
	<u>56</u>	<u>4046</u>
Net Used Trucks Declared for Sale	<u>1619</u>	<u>32187</u>
Less Used Trucks Sold	<u>800</u>	<u>18745</u>
Balance of Used Trucks on hand		<u>13442</u>

ANALYSIS OF INVENTORY

Inspected and ready for sale	<u>5335</u>
Not Inspected	<u>8107</u>
	<u>13442</u>

ANALYSIS OF DISPOSAL ACTIVITY

	<u>DECLARATIONS</u>	<u>DISPOSALS</u>	<u>INVENTORY END OF PERIOD</u>	<u>INVENTORY CHANGE</u>
Period Ending July 29th	22049	15608	6441	
4 Weeks Ending Aug. 26th	1877	5067	3251	- 3190
7 Days Ending Sept. 2nd	3568	556	6263	+ 3012
7 Days Ending Sept. 9th	7137	704	12623	+ 6360
7 Days Ending Sept. 16th	1675	856	13442	+ 819

*Corrected to eliminate 73 vehicles reported by Region 9 last week as "trucks"

SURPLUS USED CARS REPORT
For 7 Days and Period Ended Sept. 16, 1944
(Period Began January 1, 1944)

	<u>7 Days to Sept. 16, 1944</u>		<u>Period to Date</u>
Total Used Cars Declared	548		7151
Less Declarations withdrawn	4		109
Less Loans to Other Federal Agencies	0		19
Less Transfers to Other Federal Agencies	1	5	558
Net Used Cars Declared for Sale	543		6465
Less Used Cars Sold	288		2790
Balance of Used Cars on hand			<u>3675</u>

ANALYSIS OF INVENTORY

Inspected and ready for sale	2008
Not Inspected	<u>1667</u>
	<u>3675</u>

ANALYSIS OF DISPOSAL ACTIVITY

	<u>DECLARATIONS</u>	<u>DISPOSALS</u>	<u>INVENTORY END OF PERIOD</u>	<u>INVENTORY CHANGE</u>
Period Ending July 29th	3488	2623	865	
4 Weeks Ending Aug. 26th	284	363	786	- 79
7 Days Ending Sept. 2nd	233	87	932	+ 146
7 Days Ending Sept. 9th	2598	110	3420	+ 2488
7 Days Ending Sept. 11th	548	293	3675	+ 255



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON 25



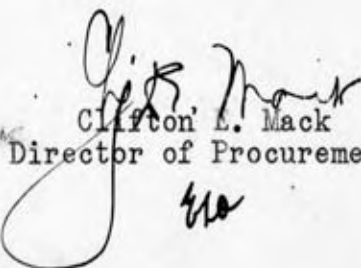
September 19, 1944

SECRET

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the weekly report of Lend-Lease purchases.

Requisitions have been received for 200,000,000 Battery Carbon Rods for flashlights and 5,333,484 General Lighting Service Lamps for military and civilian use in the United Kingdom.


Clifton L. Mack
Director of Procurement
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Attachment

SECRET

LEND-LEASE
 TREASURY DEPARTMENT, PROCUREMENT DIVISION
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
 AS OF SEPTEMBER 13, 1944
 (In Millions of Dollars)

SECRET

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$5522.4 (5522.1)	\$2627.1 (2627.1)	\$2257.3 (2257.3)	\$133.9 (133.9)	\$15.9 (15.9)	\$488.2 (487.9)
Requisitions in Purchase	\$ 161.2 (154.2)	\$ 36.9 (28.2)	\$ 57.5 (55.4)	\$ 2.4 (2.4)	- -	\$ 64.4 (68.2)
Requisitions not Cleared by W.P.B.	\$ 100.4 (102.8)	\$ 27.2 (32.8)	\$ 65.4 (62.4)	\$.1 (.2)	- -	\$ 7.7 (7.4)
Obligations (Purchases)	\$4010.7 (3974.8)	\$1992.8 (1975.2)	\$1647.2 (1638.0)	\$ 62.6 (62.5)	\$13.9 (13.9)	\$294.2 (290.2)
Deliveries to Foreign Governments at U. S. Ports*	\$2383.4 (2358.7)	\$1452.6 (1442.9)	\$ 855.7 (840.7)	\$ 24.5 (24.5)	- -	\$ 50.6 (50.6)

*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of September 6, 1944.

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9/30/44

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White says letter to Pres on 9/29 and his reply to Hull with copies to various depts. on 9/30/44 took care of this letter, and it needs no answer. See meeting with HM Jr 9/25/44

Sept. 21, 1944

276

Copy to Mr. White with instructions to take
it up with Mr. McCloy and Mr. Matthews.

277 ✓
THE WHITE HOUSE
WASHINGTON

September 19, 1944.

MEMORANDUM FOR

HON. HENRY MORGENTHAU, JR.
HON. E. R. STETTINIUS, JR.

Do you think this requires any
action?

F.D.R.

FOREIGN ECONOMIC ADMINISTRATION
OFFICE OF THE ADMINISTRATOR
WASHINGTON 25, D. C.

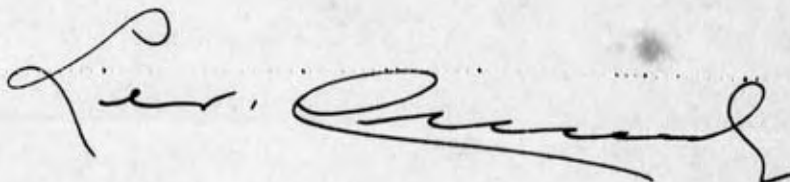
September 11, 1944

M E M O R A N D U M

TO: The President
FROM: Leo T. Crowley
SUBJECT: The Soviet Supply Program

In accordance with your directive of October 2, 1942, to Mr. E. R. Stettinius, Jr., to the effect that you be advised monthly of the status of the Soviet Supply Program, I have prepared the attached brief statement of the major current factors as of today.

The regular monthly statistical report on the entire program for the period ended August 31, 1944 will follow in due course as soon as the information has been gathered and correlated.



SECRET

THE SOVIET SUPPLY PROGRAMI. Fourth Protocol

Schedules of offerings were submitted in August by the United States. The Preamble was submitted on September 9, 1944. Considerable delay was encountered this year in the preparation of the offerings, due in part to the Soviet delay of one month in presenting them over the schedule of other years and the large number of requests for industrial equipment which have required lengthy studies.

Offerings from the United States total 7,400,000 short tons, from which the U.S.S.R. is requested to select a minimum of 5,700,000 short tons for which shipping is assured. The balance will be procured as a reserve in the event shipping in excess of minimum commitments materializes.

Soviet response to the offerings is anticipated. When negotiations as to the final form are completed, the document will be signed in Ottawa. This will complete the cycle of capitals; the first protocol having been signed in Moscow in 1941, the second in Washington in 1942 and the third in London in 1943.

II. Financial Discussions

Discussions begun in July have continued throughout August to lead to an Amendment to the Master Agreement of June 11, 1942. Representatives of the Foreign Economic Administration, and the Acting Executive of the Protocol Committee have joined the State Department representatives for the discussions.

While the Soviet delegates declare their acceptance in principle of the proposal to arrange for the ultimate payment by the U.S.S.R. for certain specified categories of supplies which may be on hand or under contract at the termination of hostilities against a common enemy, the discussions have been protracted on the terms of the credit arrangements, and are not yet completed.

III. Shipping

Clearances in August fell below the July tonnage, for only 558,000 long tons were shipped. The reduction was due to the

SECRET

fact that there were not sufficient available vessels to keep the Persian Gulf route full. Only five vessels sailed against a capacity of 25 or more.

In spite of reduced sailings in August, shipping for July and August exceeded minimum Protocol commitments by 39%. Estimates through January, 1945, indicate that the advanced rate should continue so that by February 1st, the program will still exceed minimum commitments by 37%.

Increased shipping has presented problems in procurement, especially of metals for bottom cargo. The Subcommittee on Supplies of your Protocol Committee has authorized procurement to the full offering of 7,400,000 short tons, as set forth in the Fourth Protocol. This procurement will be speeded to assure availabilities well in advance of the end of the Protocol Period on June 30, 1944, since indications are that the material can be shipped.

IV. Aircraft

Clearance of Aircraft in August was considerably reduced over July figures, for only 247 planes departed. All but one of these left via the Alaska-Siberian route and included 55 for the account of the United Kingdom and 192 for the account of the United States.

The primary cause of reduction in departures is the smaller Fourth Protocol program calling for delivery of 245 planes per month.

Navy planes are now moving well. 138 have been delivered at Elizabeth City, North Carolina, and 30 have left the United States for departure points. These planes are not included in the Army Air Force plane figures reported above.

September 11, 1944

SECRET

Arms report on
Treasury Department
Division of Monetary Research
W.H. 8/15/49
Date Sept. 19, 1949

To: Secretary Morgenthau

You may be interested in
glancing at the marked parts of
Mr. Aarons' report on France.

H.D.W.

MR. WHITE
Branch 2058 - Room 214

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Treasury Department
Division of Monetary Research

Date.....9-9.....19

To: Mr. White

From: Mr. Taylor

Aarons reports on his 4-day
trip to France.

C
O
P
YREPORT ON TRIP TO FRANCE

Period of trip— August 15 to 19, inclusive.

Principal cities and towns visited (in the order in which visited - Isigny, Carentan, St. Mer Eglise, Montebourg, Valognes, Cherbourg, Bricquebec, Carteret, Bafneyville, La Haye de Puits, Lessay, Coutances, Brehal, Granville, Avranches, Rennes, Vitre, Laval, Le Mans and St. Lo.

Purpose of trip - to accompany Brig. General Cobbs, Fiscal Director ETO, on an inspection of various headquarters and subsidiary finance offices and to determine what problems of mutual interest were arising in these offices.

Finance offices visited - The principal finance offices visited by us were (1) Communications Zone Headquarters (located near Valognes); (2) Advance Section Headquarters ("Adsec" - located then between Isigny and Carentan, but now moved to Le Mans); (3) Third Army Headquarters (located then near Le Mans, but about to move); (4) First Army Headquarters (located then at St. Lo, but about to move); and (5) Central Disbursing Office for Normandy base section (located at Rennes). We also visited numerous lesser offices and disbursing sections.

Observations -

At Adsec, the figures (covering all of liberated France) for cash handling in July had just been assembled. They showed that 17% of the amount of cash actually paid out to the troops was retained by them for pocket money. 83% was remitted back home, or invested in war bonds, or placed on deposit with finance officers. This 17% figure is reduced to 6½% when compared with the total pay earned by the troops. In other words, the troops retained in their pockets in July only 6½% of the amount of their franc pay plus the amount of their dollar pay which they have allotted to dependents or for war bonds, etc., at home. It is to be noted that the 17% and 6½% figures do not take into account such items as receipts by Red Cross, Stars & Stripes, etc. These items would still further reduce the amount retained by troops.

At Adsec, we also learned that there is a heavy demand now on the part of disbursing sections for 500 and 1000 franc notes, particularly the former. Disbursing sections have a great deal of cash on hand and like to keep it in the larger denomination notes. Many of the troops are also asking for their pay in 500 and 1000 franc notes.

As an example of increases in cash on hand, it is noted that the Finance office at 3rd Army Headquarters came into France with 22 million francs. It now has 40 million francs on hand.

In general, I was very favorably impressed by the efficiency of organization of the fiscal service and by the high quality and organizational loyalty of the men who are working under General Cobbs. His principal problem at the time of

- 2 -

our trip -- as was true with all other Army organization -- was one of movement. At the rate that General Patton's forces have been moving forward, it is a very challenging problem for behind-the-line organizations to keep in positions where they can render the necessary services and coordinate their own activities properly. The fiscal service appeared to me to be doing very well with this problem. During our visit General Cobbs made Adsec finance office responsible for servicing and handling, in the first instance, the problems of both the Army Headquarters. (These had previously been handled directly between the Army Headquarters and Communications Zone Headquarters.) Under the new arrangement, with Adsec continually moving forward, it is expected that coordination and efficiency will still further be improved.

The problem which was most commonly raised by finance officers was what disposition to make of mutilated currency. The amounts of this currency are not really large, but it comes into the finance offices frequently in small lots and often in such form that it is unhealthy to handle. General Cobbs advised all finance officers that if the currency was bloody and apparently unfit to handle, a board of officers should be convened to condemn the currency to burning. In such cases, the description of the currency, including the denominations and serial numbers, should be recorded, if possible. As to all other mutilated currency, General Cobbs advised that it should be turned in to the Civil Affairs currency section at Cherbourg. It appeared, however, that CA Currency Section was not prepared to accept any mutilated currency. As to Banque de France currency, CA Currency Section advised finance officers to go to the Banque de France which would exchange mutilated currency if 3/5's of the note is intact and if the serial number in the center of the note and on 3 of the corners is intact.

I advised General Cobbs that this matter had been taken up some weeks ago by the Financial Branch, G-5, SHAEF, with the French, with the request that liberalized rules be adopted urgently by the French for exchanging mutilated and soiled currency taken from dead and wounded troops. The French had promised quick action at that time. (On my return I reported the foregoing to Col. Bernstein who said that in view of the dilatory attitude of the French in this regard he would take immediate and firm action with them to clarify the situation.)

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I did not have the opportunity to visit Civil Affairs offices inasmuch as General Cobbs was anxious that I get as complete as possible a picture of his organization. (The only exception to this was the CA Currency Section at Cherbourg.)

By questioning of Finance officers, local inhabitants and by observation, I formed the following miscellaneous opinions:

1. There is no black market in dollars or sterling in any of the towns visited, including Cherbourg.
2. Local supplies of dairy products, fruit, fresh vegetables and eggs are still abundant, and are not to any substantial extent being bought by our troops. (Some of the finance officers were not clear as to the

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reason for the prohibition. They seemed to be satisfied when I explained to them not only the necessity of stockpiling for later deficiencies, but also the idea that if the French economy should become unstabilized, we wanted to have no share of the responsibility.)

3. Prices are apparently satisfactory. I inquired of French people at Rennes on the situation before and after liberation. A typical reply was "Potatoes cost 20 francs a kilo while the Germans were here and now cost only 5.60 francs per kilo." The intelligent French "man on the street" appreciates deeply the fact that we are not buying their local products, pushing up prices and creating scarcities for them.
4. The railroad runs down at least to Rennes, and thus contributes to the amazing performance of transportation which has been accomplished in the liberated area. The new railroad tracks are already laid amidst the smashed forts at Cherbourg alongside the more than 4000 feet of new docks which are nearing completion. Roads are repaired and cleared throughout the area, and in St. Lo, the German prisoners have finally reached down to the original cobblestones with their pickaxes and shovels. (However, I didn't see a single prisoner who looked as though he were earning his 80 cents per day.)
5. Rennes and Le Mans, cities of 100,000 each, are mostly intact except for a little "pinpoint" air bombing, and some demolition done by the Germans. The latter is true particularly in Rennes where the Germans blew up a large number of municipal buildings along the canal in the center of the town. The local inhabitants are very bitter about this.
6. There are still a few snipers and traitors loose in Rennes and Le Mans. When we were there they were still collecting a truckload or so of them per day. They were being put into men's and women's prisons, including a large concentration camp erected there by the Germans. Tribunals were being organized for their trials and the local inhabitants (mostly vehemently pro-de Gaulle) were looking forward with bated breath to the trials.
7. The people stand along the roads, especially around Rennes and Le Mans, gaping with wonderment at the never-ending procession of American vehicles. Their faces show genuine enthusiasm, and whether they be age three or eighty they all throw up their right arm with a vigorous V-sign. In the most recently liberated parts, some of the children, by force of habit, give a Nazi-salute instead.
8. American and British flags, as well as the tricolor, are in abundance. Many of the American flags have anywhere from 7 stripes upward, and far less than 48 stars.
9. The tidbit of the trip was the sight of a convoy of German prisoners containing about twelve open trucks with at least 60 prisoners standing jammed uncomfortably on each truck. Attached to the last truck was an

- 4 -

open trailer. In the trailer, in a lounging position, with a grin on his face, with his trigger-happy finger ready for action, was a very black G.I. from the deep South shepherding the master race to their oblivion.

L. C. Aarons,
U. S. Treasury Representative.

SECRET

FROM Habana

Dated September 19, 1944

Rec'd September 21, 5 p.m.

Secretary of State,

Washington, D. C.

A-2086, September 19, 10:10 a.m.

Reference Department's A-1551, September 1.

Substantive portion of note from Ministry of State dated September 16 received today, in reply to Embassy's note based on Department's airgram under reference, reads in translation as follows:

"Although the data on Gelernter are not sufficient to enable a quick search, since it is a humanitarian matter the Government of Cuba desires to avail itself of the good offices of the Government of the United States of America to the end that all possible protection be given to Gelernter through the means which the North American Governments use in similar cases.

The Ministry will continue the investigation started in the Department of Citizenship and Immigration in order to verify the exactness of the information and the Embassy will be duly informed."

HM/ph/sw

HUFER

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington
DATE: September 19, 1944
NUMBER: 7774

CONFIDENTIAL

The following message is for WRB, attention Mr. Pehle.

Reference is made herewith to the Embassy's telegram of September 11, No. 7473.

The paragraph given below is a paraphrase of the substance of an Intercross message in reply to an inquiry concerning the possibility of rescue of Jews from Hungary, sent to the Foreign Office via the British Legation at Bern.

The questions which the British Government raised have unfortunately been partly overtaken by events. From Hungary to Rumania emigration is impossible and most difficult to Switzerland and Sweden. In spite of the Hungarian Government's statement that it will allow Jews to migrate to countries prepared to accept them and to Palestine in particular, permission for Jews to leave Hungary and cross Germany is not agreed to by the German Government. Although the committee is preserving in its efforts to help Hungarian Jews, it is at present meeting greatest obstacles.

The Foreign Office states in communicating this discouraging information to the Embassy, that it can probably be taken as an advanced negative reply to any joint Anglo-American approach in connection with the release of 2100 Jews whose departure from Hungary is held up because of reluctance on the part of Germany to permit them to reach Palestine. The views of the United States Government on this specific issue are still being awaited by the Foreign Office.

WINANT

DCR:EBH:MEM 9/21/44

Sept. 19, 1944
9:15 am

CIRCULAR AIRGRAM

SUBJECT: SAFEGUARDING OF LIVES OF AMERICAN REPUBLICS
DOCUMENT HOLDERS

TO CERTAIN AMERICAN DIPLOMATIC OFFICERS:

The following is from War Refugee Board.

Reference is made to our earlier communications on the subject of holders of Latin American documents in enemy territory.

At suggestion of Swiss authorities and in order to safeguard the lives of holders of documents issued in the names of American republics in German-controlled territory, this Government is endeavoring to compile lists of such holders for transmission to the German Government. A portion of a cable dated September 14, 1944, to the Legation at Bern follows:

QUOTE With reference to lists of bearers of Latin American documents suggested in ultimate and penultimate paragraphs of your 5689, disturbed war conditions have interfered with communications between Latin American governments and their European missions, resulting in incomplete records which make the compilation of such lists difficult. However, to assist the Swiss in this matter it is believed that the Legation should endeavor to obtain with the aid of McClelland and the local representatives of organizations that have records on the subject, lists which are as complete as possible with a view to transmitting them to the Swiss authorities. The Department will suggest to various Latin American governments the urgency of confirming to Swiss authorities the authenticity of such lists. It is hoped, however, that in view of the humanitarian considerations involved and of this country's status as Power handling exchange of persons whose eligibility would be established by being placed on the list Swiss officials will agree to transmit the lists to Germany even without such confirmation. UNQUOTE.

Please discuss this matter with the government to which you are accredited with a view of obtaining its confirmation of the authenticity of the list submitted by the Legation at Bern.

In making this request, you may explain that the assurances previously given on behalf of the Government that the government to which you are accredited will not be expected to grant physical admission to the persons involved and that no objection will be raised to an examination by that government of status of such persons once they are safe from enemy persecution, fully apply to the persons whose names will be included on the lists herein envisaged.

Should the

- 2 -

Should the government to which you are accredited, in addition to sending such communication, be in a position itself to compile and submit to Switzerland a list of holders of documents issued in its name or other persons under enemy control to whom it desires to give protection, this Government would be glad to extend to such persons the benefit of its activities intended to safeguard their lives. If desired, this Government will gladly transmit any such list to the Swiss Government.

HULL

Send to AMEMBASSY

Bogota	Colombia
Caracas	Venezuela
Ciudad Trujillo	Dominican Republic
Guatemala City	Guatemala
Habana	Cuba
Managua	Nicaragua
Montevideo	Uruguay
Port-au-Prince	Haiti
Quito	Ecuador
San Jose	Costa Rica
San Salvador	El Salvador
Santiago	Chile
Tegucigalpa	Honduras

WRB:MMV:OMH
9/16/44

OCA

BCL

NWC

RPA

WWP

OKL-618

PLAIN

Rome

Dated September 19, 1944

Rec'd 9:45 p.m.

Secretary of State,

Washington.

359, Nineteenth

5. FROM ARTHUR GREENLEIGH FOR JOSEPH SCHWARTZ

AMERICAN JOINT DISTRIBUTION COMMITTEE NEW YORK FOR

RELAY PILPEL LISBON:

Received \$100,000 now have sufficient for current month and for repayment five million lire pressing debts. Can you expedite treasury license for completion Palestine clearance. Also Perlman acknowledges receipt one million lire from Genlan. Spania Hicem here may enter France before return Lisbon. Jeffreykin Barcelona has requested authorization travel this theater and Greenleigh requested ascertain reason for travel and whether joint approves. Please communicate necessary information to me immediately. Message received Bismarck today urgently recommending joint representative Lyon immediately. Am still awaiting answer request Perlman or Greenleigh enter southern France as possibility arrangements can be made through AFHQ here. Best wishes.

KIRK

VFS

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Embassy, Lisbon
DATED: September 19, 1944
NUMBER: 2554

CONFIDENTIAL

For identification purposes, it will be helpful to have the names of the persons referred to in your cable of September 14, no. 2876. The records of the Department indicate that the following visa authorizations were sent by airgram:

Jesse Ferrando Sammartin, September 6, 1944.

Carlos Mendez Palacios, September 18, 1944.

Mrs. Clara de Cabezas and her child, August 28, 1944.

Joaquin Blanch Gomez, wife and daughter, being sent by cable.

You will be informed shortly concerning Belarmino Toral Taibe being checked now.

HULL

YD:ESC:LBC

Paraphrase DOR:VAG 9/21/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Stockholm
TO: Secretary of State, Washington
DATE: September 19, 1944
NUMBER: 3732

CONFIDENTIAL (SECTION ONE)

Reference is made herein to the Legation's cable of July 20, No. 2688.

The full claim for charges by the Swedish Orient Lind for the BARDALAND in the sum of 99158 droner 68 ore has been received from the Foreign Office. Included in this claim are the following charges: On the basis of \$19,383.13 per 30 days, hire from 2 p.m. May 16, 1944 to 2 p.m. June 8 equals \$14,860.40 equivalent at exchange 4.20 to 62413 kroner 68 ore; war bonus for the same period 23005 kroner; bunker oil consumed as indicated by ships journal 5800 kilograms at 300 kroner equals 1740 kroner; sundries and trunk calls 50 kroner; at one quarter percent, war insurance on ship 10750 kroner; war risk insurance on crew and officers 1200 kroner.

August 22 is the date of this account. The Foreign Office states, in a covering letter dated September 16, that the ship owners would be grateful for payment at earliest convenience.

JOHNSON

DCR:MAS:MEM 9/21/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Stockholm
TO: Secretary of State, Washington
DATE: September 19, 1944
NUMBER: 3732

CONFIDENTIAL (SECTION TWO)

that BARDALAND was due to leave Piraeus May 18 for Sweden;
that owners had contracted to carry cargo from Spain to Sweden;
that on May 13 it was learned that WRB desired to charter
BARDALAND for refugees from Rumania and to hold ship in Greece
pending negotiations for such transport; that ship sailed
finally from Piraeus June 10 instead of May 18. Covering
letter contains a not entirely clear statement which appears
to be for purpose of explaining why charge is not for full
period from May 16 to June 10 but is for two days less; apparent
explanation is that previous charter party expired May 16 and
ship owners under previous schedule expected it to lie idle
until scheduled departure May 18. Please repeat to WRB as our
81.

Please instruct.

(END OF MESSAGE)

JOHNSON

DCR:MAS:MEM 9/21/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATE: September 19, 1944
NUMBER: 3235

CONFIDENTIAL

Cable to McClelland.

Reference is made to your 5942 of September 8.

Several thousand Lithuanian Jews are reported held in camp Krotingen, in Lithuanian-East Prussian border region. Seventy-five hundred are reported to have been deported from Kaunas to East Prussia. Great anxiety is felt for their lives. Please make inquiries regarding Krotingen and any camps in East Prussia similar to those referred to in Department's 1921 of June 6 paragraph one and request Intercross to take urgent steps to include them in its program, mainly with a view of preserving inmates from death.

According to reports, refugees arrived from Belsenbergen (see your 5517 of August 23) observed several camps of Jewish detainees along the railroad route they took through Austria. Please ascertain details, inform Intercross and urge it to extend its activities to these camps.

THIS IS WRB CABLE TO BERN NO. 177

HULL

CABLE TO STEINHARDT, ANKARA, FOR HIRSCHMANN FROM WAR REFUGEE BOARD

Reference your No. 1655 of September 5 (Ankara's WRB 149).

While Board believes that it would be most helpful if you or Katzi, or both, could proceed to Bucharest, it is not possible to authorize the trip at this time since broader questions not relating to refugee matters are still pending clearance by State Department and other interested agencies. You will be advised as soon as a decision has been reached. JDC is willing for Passman to accompany you if you make the trip.

THIS IS WRB CABLE TO ANKARA NO. 112

4:30 p.m.

September 19, 1944

JBFriedman:hd
9/19/44

DSH-688
 This telegram must be
 paraphrased before being
 communicated to anyone
 other than a Government
 Agency. (RESTRICTED)

Ankara

Dated September 19, 1944

Rec'd 1:10 p.m., 20th

Secretary of State,
 Washington.

1767, September 19, 2 p.m.

PERSONAL FOR PEHLE WRB FROM HIRSCHMANN. ANKARA
 No. 157.

My most recent survey of the conditions and developments since my telegram of September 5 (Ankara No. 159) particularly with respect to the situation in Transylvania has led to the conclusion that the possibilities for rescue activities from Hungary through Turkey are now remote. All railroad communications and movement by civilians between Hungary and the Balkans not to speak of (*) have come to an end. Since the Rumanian and Bulgarian declaration of war on Germany, the Russian front is now in Transylvania where sporadic fighting is taking place and where it would appear a major front is being created. Under these circumstances it appears most unlikely that further rescue activities from Hungary can be effected by way of the Balkans and Turkey. Over and above these considerations there is the added element that it is most unlikely that the Russians would permit us to conduct rescue activities through their field of military operations.

As the policy of the Board as set forth in its No. 106, September 7 makes it clear that my activities are limited to the rescue of refugees as distinguished from their relief, I am of the opinion that the future opportunities for the rescue of refugees from Hungary through Turkey are so limited as to no longer require or justify my continued presence in Ankara particularly as Katzki is prepared to remain here indefinitely. In the light of the most recent developments, I see little advantage to be gained in my proceeding to Bucharest even were the necessary authorization granted. On the other hand, should it be deemed desirable for a representative of the Board to proceed to Bucharest Katzki is qualified to undertake the mission at the appropriate time under Ambassador Steinhardt's general supervision.

In view

- 2 -

In view of the foregoing and unless for reasons unknown to me you desire my continued presence in Ankara I request your consent to my immediate return to the United States for consultation particularly as there are aspects of the Board's rescue program not necessarily connected with Turkey which I should like to discuss with you. The Ambassador concurs in the foregoing.

STEINHARDT

DU

(*) Apparent Omission.

GEM-812
Distribution of
true reading only by
special arrangement.
(SECRET W)

Ankara

Dated September 19, 1944

Rec'd 6:58 p.m., 20th.

Secretary of State,

Washington

1773, September 19, 7 p.m.

FROM HIRSCHMANN TO WRB

Ankara's No. 158.

Reference to Department's 800, September 16.

Embassy's 1594, August 30 referred to verified reports regarding the impoverished condition now existing among the principal portion of the Jewish population in Bulgaria and the imperative need for BID to reach it without delay. Passman representative in Istanbul of the Joint Distribution Committee is prepared to explore the means to supply such and provided he is authorized to survey the situation in Bulgarian to determine the specific needs. It is for the above reason that permission was requested of the Board and State Department for Passman to enter Bulgaria and also Rumania.

WMB
NPL

STEINHARDT

NOT TO BE RETRANSMITTEDSECRETOPTEL No 306

Information received up to 10 A.M. 19th September 1944.

1. NAVAL

Last night a British Frigate sank two ER-Boat and damaged another North of Dover Strait. 37 prisoners taken. SEINE blocked by sunken ships at two places and four mine fields in approach. Estimated ROUEN will not be opened under a month. At MARSEILLE first coaster entered the old port 13th. On 15th 2 Liberty ships beached alongside pier and 9 others anchored inside harbor. French cruiser and an U.S. Destroyer shelled positions FRANCO-ITALIAN border in support of the army on 12th and 13th.

On 14th the U.S. Destroyer continued shelling and also damaged 2 small ships in ONEGLIA. Another U.S. Destroyer damaged cargo ship off ONEGLIA 14th. PT boats sank an F-lighter GULF OF GENOA.

15th/16th. British Destroyer shelled troops and coastal batteries RIMINI 16th under heavy return fire. Coastal forces sank 3 enemy craft and a large landing craft off D.L.M.TIAN coast 15th/16th. Yesterday 7 Mosquitoes made promising attack on U-boat North West of BERGEY. Three other attacks were made off West coast NORWAY by Liberators.

2. MILITARY

Western Europe 18th. Large reinforcements flow into HOLLAND. Contact established EINDHOVEN between first Allied airborne army and British 2nd army. Further north bridge across MAAS at GRAVE, 8 miles southwest NIJMEGAN captured intact. Strong German resistance in forest of REICHSWALD.

Italy Canadians have not succeeded in re-occupying SAN MARTINO but have gained a few hundred yards east of the village. U.K. troops supported by tanks have crossed the AUSA and are meeting heavy opposition. They have also captured 2 more hills near MONTE CLIVO. A bridgehead over the MARANO has now been secured North of LUCCA. Our forces have advanced 2 miles.

Burma We have occupied TUITUM about 18 miles north of TIDDIM.

3. AIR OPERATIONS

Western Front 18th. 1523 aircraft (41 missing) dropped supplies and reinforcements in HOLLAND. Incomplete reports indicate these operations highly successful. Fighters (26 missing) provided escort and attacked transport. 4 German aircraft destroyed in the air and 3 on the ground.

18th/19th. Aircraft despatched. BREMERHAVEN 213 (2 missing) Bomber support 53 (2 missing). Se-mining 4. Mosquitoes BERLIN 33 and RHEINE railway centre 6.

Mediterranean 17th. Fortresses and Liberators dropped total 1015 tons on 4 railway centres. 2 oil refineries and a railway bridge BUDAPEST area and a railway centre in YUGOSLAVIA. Escorting fighters (4 missing) destroyed 12 enemy aircraft on the ground. About 680 fighters (3 missing) and bombers attacked communications and strong points RIMINI area, while 54 Liberators carried supplies to SOUTHERN FRANCE.

18th. Preliminary reports state Fortresses and Liberators (4 missing) dropped total 1050 tons on 5 railway centres BUDAPEST area and 2 BELGRADE area.

Poland 18th. 108 Fortresses (2 missing) from GREAT BRITAIN successfully dropped supplies at WARSAW and landed in RUSSIA. Supporting fighters (1 missing) which returned to ENGLAND destroyed 4 enemy aircraft in the air and three on the ground.