

DIARY

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January 30, 1944
10:35 a.m.

EUROPEAN ADVISORY COMMITTEE
FRENCH LEND-LEASE

- Present: Mr. White
- Mr. Glasser
- Mr. Aarons
- Mr. Gunther
- Mr. Taylor
- Mr. Brooks
- Mrs. Klotz

H.M.JR: Just a second, Harry, I have a couple of things from the State Department. These are the minutes of the meeting that you and I had when we went over there to discuss Germany and Russia, you see, and they are giving us an opportunity to correct the minutes if they are not correct. That is number one.

Number two--this, of course, is so terribly complicated that you will all have--there are a lot of initials, U.S.A.G.E.G. Maybe Taylor gets these things.

White, DuBois, and Luxford can read this if you hold it, but they shouldn't keep it. It should come back.

Here is something Mr. Winant asked Colonel Bernstein for. The Financial Division--this is from London.

MR. TAYLOR: The Financial Division form for post-war controls dismissed preventing inflation by referring at the bottom of JCS-1067, which states that the responsibility remains with the German people for authority for price control. I would advise the Finance Division that a few more policies are needed.

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They pointed out that JCS is--I don't know a whole lot of their business--about the Finance Division.

MR. WHITE: I gather from what you said that whoever is writing the cable is insisting that the American forces take greater responsibility for control of inflation.

H.M.JR: Again, if you don't mind, guard these all very carefully. Just show them to Colonel Bernstein. I am raising this before we get into another thing. The European Advisory Committee has been told--this is all very confidential--to go ahead and set up now the Tripartite organization to run Germany. I told them to get busy now, and the same with Austria.

MR. WHITE: They were supposed to have included France in it.

H.M.JR: They weren't this morning. It was tri, and so I am just raising the question that Taylor is going to be gallivanting around Europe with Rosenman--I question whether he ought to really go right away and not wait for Rosenman, because I said, "Are you going in a couple of weeks?"

Rosenman said, "It will be longer than that."

MR. WHITE: Last night he told us it would be the middle of next week.

H.M.JR: Last night he said a couple of weeks, and he said, "It is going to be longer than that."

MR. WHITE: The way things are going now I think he ought to be over there. Bernstein isn't there either, and Bernstein ought to be there.

H.M.JR: You read those cables. They issued orders to get busy and set this thing up at once.

MR. WHITE: Is your line of contacts and your position with this clear? Isn't there a serious problem as to whether you can get in on it without the Secretary doing something?

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MR. TAYLOR: Yes, Mr. White, we have discussed that before. The place to hit the European Advisory Commission is back here. I think if you, Mr. Secretary, could discuss with appropriate State officials that it is our desire to have you as financial advisor to the European Advisory Commission--who would be a Treasury man?

MR. WHITE: They don't have any, Mr. Secretary, and what we do get, we get either through Colonel Bernstein--

MR. TAYLOR: ..and such gossip as we pick up around the halls of the Embassy.

H.M.JR: If you men can fix me up with a memo suggesting what you want, and get it to me by two o'clock, I will have it in Mr. Grew's hands by three.

MR. TAYLOR: Very good, sir.

MR. AARONS: It would be highly desirable.

H.M.JR: They just suddenly woke up to the fact that they have got to do something. I don't think any time should be lost.

MR. WHITE: And if Taylor has to leave, he can have one of the other men take his place while he is gone.

H.M.JR: Where?

MR. WHITE: He is going to France with Judge Rosenman.

H.M.JR: If he gets over there and Rosenman doesn't come for two weeks--

MR. TAYLOR: Later when the Judge comes I could put someone else in my place.

H.M.JR: Yes, yes. Is the Judge's mission going to be important?

MR. TAYLOR: I think the way he is setting it up, sir, it is going to be important, because he intends to write a lengthy report to the President with a series of recommendations. And in the recommendations he said yesterday to Mr. White he would like to include a statement on Treasury reviews on problems, and State advice, together with such comments he may have on them.

MR. WHITE: I think part of that grew out of the discussions he has had. He raised the question--he was doubtful, I would say, of the need or wisdom of his going. He wondered what he could do and whether it was important. I think he was troubled by the fact that he--there was so much background that he knew so little about, and he was stepping into territory he was unfamiliar with. I commented that the trip could be made worth while by a very complete report with which Taylor would help him, and others. It was then that he said he would have a report and he would also get the views of the Treasury and the State Department, and include his own comment, and he would give us a chance to write what the Treasury views on this thing were. As I understood the circumstances, it would be helpful, and I said he would learn something and he would be helpful when he came back. But I gather he is uneasy about the purpose or wisdom of the whole thing. Did you get that?

MR. TAYLOR: Yes.

H.M.JR: Now, the principal thing I want this morning is, how do I get posted to get in on this thing that the Army is doing for the civilian population in France?

MR. WHITE: I think if my suggestion would be followed-- I will begin the discussion, because I had it up to a certain point, about eight months ago, when we decided the general principles. From then on the various men will have to take it up because I am not familiar with it.

H.M.JR: You have fifteen minutes.

MR. WHITE: I think we can explain it.

H.M.JR: Let's go. And don't forget I want a diary of last night, what happened on the French Lend-Lease, whenever it started, June, or whenever it was. I want twenty-four hour service on that, too.

MR. GLASSER: Beginning now?

H.M.JR: Beginning now. No, I want it tomorrow morning.

MR. GLASSER: Right.

H.M.JR: And you had better consult with this fellow Mitchell. Yes, I want it tomorrow morning.

Go ahead, gentlemen, please.

MR. WHITE: When Italy was first taken over, the Army began to give supplies to Italy and the question arose as to who was going to pay for them. And the three countries--Britain didn't want to pay dollars, and the Americans said they had to have the goods, and we agreed the country should do the buying, whoever had been doing the buying in certain areas. And the question as to who would pay would be left for subsequent adjustment, not after the war, but the soonest period possible to discuss the subject. That covered most of the discussion, and they finally let it go at that. America bought and paid for most of the stuff for the American Army.

Discussions merged into France, and the question was before State, the Army, and ourselves as to who should pay for how much of what was being given to these countries by the Army; and after many weeks, I think most of the discussion was settled in the following fashion with State conducting most of the negotiations--conducting all of the negotiations. But we had meetings in which the Treasury position was stated, and finally a compromise was made, and the decision was made to handle expenditures as follows:

H.M.JR: You are talking about Italy, or France?

MR. WHITE: The whole of Europe was to be treated as a unit. In some countries the goods they would send were to be sold for dollars or gold--gold if they had enough. In some cases the goods were to be sold for local currency; they might be sold at a loss in some instances, and in others they might be given away. In some cases the goods came from Canada, others from Argentina, and still others from England in order to make it possible for the countries to share in some reasonable proportion the net losses so that one country wouldn't get paid gold and another local currency, and another country not at all. It was decided that the source of the goods would be determined by the regular administration, War Food Administration, and they would say where the stuff was to be obtained. The expenditures were to be made by the country who did the exporting or buying. The receipts were to go into one large pool, whether it was gold or local currency. These would be losses.

The question arose as to how the losses were to be divided as to dollars and local currency. There would be a discrepancy, and that would be decided on the following basis: Sixty-seven percent United States. I think it is eight or nine percent Canada--eight. We said we would stick out for sixty, and they wanted seventy, so we settled for sixty-seven.

The program was to be drawn up for the whole of Europe, and the net losses were to be divided eventually in that fashion. That is where the Treasury left it.

H.M.JR: It is the first time I ever heard this.

MR. WHITE: You may not remember it, but I discussed it with you whether we should discuss fifty percent or--

H.M.JR: For the whole of Europe?

MR. WHITE: At that time it was France and Italy.

H.M.JR: The whole of Europe?

MR. WHITE: It was France and Italy.

H.M.JR: Yes, but--

MR. WHITE: That was the pattern we set.

H.M.JR: The two together?

MR. WHITE: Yes. At the time we discussed it, it was--

MR. TAYLOR: ...a purely military matter.

MR. WHITE: Maybe it was ten months.

H.M.JR: A year ago?

MR. GLASSER: It was January a year ago that they had a meeting in your office with Taft and a few--

H.M.JR: In my office?

MR. GLASSER: No, Mr. White's office.

H.M.JR: How do you know White told me about it?

MR. WHITE: I know; he doesn't. I know for two reasons. In the first place, I remember discussing it with you, and in the second place I wouldn't make a decision like that without your approval--both excellent reasons. I may even have a record of it.

H.M.JR: I say this; White has inside information, ^{so} I can't argue with you. I am not questioning his veracity. I am questioning my memory.

MR. AARONS: The subject came up last April or May when Bob McConnell was--

H.M.JR: The surprising thing was that all expenditures were being pooled, not just France and Italy.

MR. WHITE: Those were the two countries then available. The discussion of the whole question of relief you turned over to McConnell. It was at that point. You asked, "Isn't there something he could do?"

I said, "It is a very complicated problem, and he could dig into it." He worked with Buzz Aarons, and who else?

MR. GLASSER: With me.

MR. WHITE: With you and Aarons. It was at that point that I dropped out, so they will have to carry it. Who can take it on from there? Harold?

MR. GLASSER: I can take it on. The Army drew up a program they called Plan A that under certain conditions involved sending into Europe ten billion tons. Now, that meant that they would send it into not only Western European countries which would pay, but they would also send it into the Balkan countries and Italy under the Military Supply Program. The U. S. contributed wheat at the rate of one dollar and eighty cents a bushel, and Australia contributed wheat at one dollar and sixty cents a bushel to try to handle that, and bill the paying countries on the basis of the average prices. They would average the U. S. price and the Australian price, get an average price, and charge Greece and France the same. It wouldn't be the U. S. and the Australian, it would be the average. They got so involved in the process of averaging, and the British seemingly objected to every suggestion for getting the proper bill to the French that they are now in a position where they cannot even present a bill to the French for the goods that have already been shipped in.

H.M.JR: Why not, Harry?

MR. GLASSER: The British will not agree with our accounting suggestions, and we won't agree with the British accounting suggestions, and the question of deciding how much has gone in and at what price has become so difficult that nothing moves forward.

H.M.JR: Is that military accounting, or civilian?

MR. GLASSER: State Department accounting. The State Department has been conducting these negotiations with the

British over six months. General Hilldring has lost his temper several times and said, "This has got to be settled or I will stop shipping anything into Europe," and still State has not been able to reach a solution to the problem. That is only part of the problem.

H.M.JR: Up to now--formerly it was Acheson, wasn't it?

MR. GLASSER: Sidney Mitchell was handling it.

MR. WHITE: Charlie Taft, first, under Acheson's direction, and then Taft dropped out, or he had his assistant, Sidney Mitchell, a fellow from one of the big banks in New York--I forget which one. I don't know who handled it.

MR. GLASSER: That is only part of the problem because after they submit a bill, the French have to agree to pay it, and they haven't yet indicated whether they will agree to pay the cost of the wheat, but what we compute as the average cost of the wheat, including what goes to Greece and Yugoslavia, and so forth--the second question arises, which is even a more difficult one, as to what currency shall they pay? Shall they pay in U. S. dollars and Canadian dollars, or British sterling?

The State Department has confidence that if we present a bill and say, "We would like you to pay so much in dollars and so much in sterling," the French will not discuss the matter, and will be willing to pay. We know the French will want to throw their full weight into sterling if they can, and little in dollars. While they still have that problem, they might be in a position to distribute the losses as between the U. S. and the United Kingdom, but I see these two main hurdles in front of them even after they decide billing procedure, and I have a feeling they will never collect from the French, that these negotiations will go on for years.

H.M.JR: Is this in any way interfering with the shipment of food to France?

MR. GLASSER: Not unless Hilldring stops it.

MR. WHITE: I spoke to Hilldring and said, "This has come to Treasury's attention, but we haven't been in on negotiations or decisions on that matter." And I told him that we were disgusted with what had been going on and had no basis of knowing how much of the three hundred million dollars France would pay, and the thing seemed possible for us to suggest ways to consider kicking the whole plan out the window and starting fresh and making adjustments for the amounts gone, twenty million or something like that.

MR. GLASSER: Fifty million on the whole up to date.

H.M.JR: Would you do this, because I am going to get this: I think what Glasser ought to do, or somebody--you are going to do the history; somebody who knows it sort of give it to me in a couple of pages so I can study it, you see.

MR. WHITE: I can add one fact. The General said that unless that thing gets settled he is going to stop sending stuff, because he has a commitment to Congress.

H.M.JR: I thought I would call up McCloy, if you think that is wise, and say that this plays an important part in French balances.

MR. WHITE: It could play, unless it is stopped now.

H.M.JR: And the Treasury would like to declare itself in on this thing.

MR. WHITE: Hilldring said he would be delighted if we could give him any assistance.

H.M.JR: It is damn nonsense.

MR. GLASSER: The State Department tried to close us out of the meeting at eleven o'clock today. They have invited us in on this problem.

MR. WHITE: This new Lend-Lease would replace that business if it were--

H.M.JR: Would it?

MR. WHITE: Yes. That is the assumption that they get this stuff for nothing instead of paying cash.

Another suggestion which I had made was, if you want to consider it, to pull France out of Europe, out of the area which is entitled to relief, and treat her like any other country that has to pay for what it wants. That would simplify all those problems. The only one that might object would be Britain, but that is the way we thought we ought to handle this problem, say that France is no longer in the area that is appropriately recipient for military relief, and she must buy just the same as the U. S. or Canada or anybody else. She has got the money.

H.M.JR: I don't see why France should be in the same category as Italy anyway.

MR. WHITE: She shouldn't.

MR. GLASSER: They had planned that France would pay for everything she got; Italy, of course, would not be able to.

H.M.JR: This gentleman comes over from State. This is very confidential. He was flabbergasted at this table they have of approved relief supplies to Germany and Austria to the extent it says here. He said they know nothing about it.

MR. WHITE: A gentleman from State?

H.M.JR: A man from State who briefs me now. He has taken Yost's place. He said, "Here the Committee has approved a scale not higher than generally obtained in liberated areas. It should be lower, and not higher." He knew nothing about it, and he said he read all cables for Stettinius. He is familiar with every cable that comes in, and this was absolutely new to him.

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MR. WHITE: Did you tell me that was table?

H.M.JR: He said it was completely new to him.

MR. TAYLOR: It may be new to him, but not to the State people. This idea has been kicked around between Washington and London by the State people, that the German people are entitled to two thousand calories a day.

H.M.JR: He is supposed to read every cable coming into Stettinius' office.

MR. TAYLOR: If you recall, the reparations document you took to Britain with you last summer stated the Germans should have two thousand calories a day. That was the State Department document.

H.M.JR: This man--he was talking personally--said, "The trouble with England is, they are backing the House of Savoy." I almost fell out of my chair.

I will say this for Stettinius: The people he picks to come over here are a breath of fresh air.

MR. WHITE: We have a story for you on Luxemburg.

H.M.JR: This man's name is Reams, R-e-a-m-s. He has picked new men who have come up from the Consular Service..

MR. WHITE: Remember the story about Luxemburg that I mentioned to you and found out why they are not bombing Luxemburg? We think we have a story.

H.M.JR: You people go ahead. Is there some meeting in State now?

MR. GLASSER: At eleven o'clock.

H.M.JR: Who is going to go to that?

MR. GLASSER: I was going, but--

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H.M.JR: Harry, during the day I will see you.

McCloy is busy, and I have got to do this other thing. I am going to tell him that in view of this whole negotiation I want you to get in on this so we know how much money is involved in this whole business. Mr. McCloy ought to be in on anything we do, because Stimson said that nothing would go through for France unless the General in the area approved.

MR. WHITE: I might say that practically all of the men here are disturbed about giving France this civilian goods. We have the list now if you want to reopen that subject sometime later in the day.

H.M.JR: I don't want to. I don't know what is the matter with you fellows; I haven't got time now.

MR. BROOKS: What happened to the six ships? The French had six ships going--already loaded to go to France, and they are holding them up.

MR. WHITE: Isn't General Hilldring holding them up?

H.M.JR: Find out.

JAN 30 1945

My dear Mr. Grew:

In view of the importance of financial problems that arise in relation to the question of the treatment of Germany, and in view of the Treasury's interests therein, it would be desirable if a Treasury man were to be appointed as the U. S. Financial Adviser to the U. S. Delegation to the European Advisory Commission in London.

The U. S. Delegation has a political adviser, an economic adviser, a naval adviser, an army adviser, an air adviser, but no one who is authorized to speak on financial matters. The group has not consulted with the Treasury representatives in London on matters of financial and fiscal policy, although many of the documents coming before the U. S. Delegation are financial in nature.

I therefore suggest that a Treasury representative be appointed as the U. S. Financial Adviser to the U. S. Delegation to the European Advisory Commission at once. I would designate for this position Mr. William H. Taylor, who is in charge of the Treasury's office in London.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable Joseph C. Grew,
Acting Secretary of State,
Washington, D. C.

WHT:as 1-30-45

15
House

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Jan. 30, 1945

TO Secretary Morgenthau

FROM Mr. White

Subject: Plan A

In anticipation of the invasion of Western Europe, the basic decision was made that, during the initial period, the combined military rather than UNRRA would assume responsibility for food, clothing, medical supplies, etc., necessary to prevent "disease and unrest" among the civilian population of liberated areas of Europe. Accordingly, Plan A was formulated under military auspices, listing anticipated needs for a six-months period, the projected period of military responsibility. The cost of the program was originally estimated roughly at \$600,000,000 for the six-months period, although it was freely predicted that this figure would reach at least \$1,000,000,000.

When necessary appropriations were secured from the Congress, General Hilldring stated that the liberated countries would be charged for these civilian goods. The French specifically agreed in Washington last summer to pay for such civilian supplies, using their gold and other reserves if necessary. No agreement in writing has been secured from any other recipient country although the State Department says it is generally understood.

In fixing procurement responsibility for the necessary goods, it was informally decided that the United States would procure goods in the United States, the UK in the British Empire (except Canada), and the US and UK on a fifty-fifty basis in other countries, as supply sources are allocated by the Combined Boards. Later, Canada came in as an independent party and assumed separate procurement responsibility for purchases allocated to Canada by the Combined Boards. By a further informal understanding it was agreed that whatever the distribution of actual procurement might be, any ultimate financial losses from non-payment would be borne 67% by the United States, 25% by the UK, and 8% by Canada, with a general reconsideration if anticipated losses should approach \$400,000,000. It was generally assumed that the Western European countries would pay, while Italy, the Balkan countries and any Eastern European countries which might be supplied would probably not pay.

The State Department has formulated a complicated billing procedure which it has been negotiating in Washington and London since last spring. Among other things complicating this procedure has been the fact that the division of procurement responsibility entails financial outlays by the three supplying countries which bear no necessary relationship to the agreed division of ultimate losses. The procedure involves charging the recipient governments not on the basis of the particular shipments which they received, but rather on average costs of the goods supplied under Plan A by the three supplying countries, with adjustments necessary to achieve the agreed distribution of ultimate losses. The British have had an American formulation of this procedure under consideration since November, but no reply has been forthcoming.

Since the procedure being negotiated with the British has not yet been resolved, no bills have been rendered to any recipient country. To date, some \$50,000,000 of supplies have already been shipped to France, about \$10,000,000 to Belgium, and over \$200,000,000 to Italy since July 1, with smaller amounts to Greece, etc. Shipments are now going at an accelerated rate to Western Europe, while Italy continues to receive about \$30,000,000 per month.

General Hilldring has become very impatient with the delays and threatens to stop shipment of civilian supplies to Europe, unless bills are rendered promptly for these supplies.

Even when the bills are presented, we anticipate that difficulties will be encountered in collecting from the recipient governments for two reasons:

1. They may object to being billed on the basis of average cost rather than on the basis of the actual cost of goods supplied to them.

2. They may not wish to pay in the currencies in which they are billed, particularly if they are asked to pay more dollars than were actually expended in procuring the goods supplied to them. This possibility has been pointed out to the State Department.

While Treasury Department was kept informed of the progress of negotiations, the State Department has taken the initiative at all stages.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Jan. 30, 1945

TO Secretary Morgenthau

FROM Mr. Glasser

Subject: Diary of French Lease Negotiations, July 6, 1944 to Date.

1. On July 6, 1944, State and FEA submitted a memorandum to the President outlining a lend-lease program for the French (Exhibit A).

This memorandum was not approved by the President. The French had a copy and claimed that the President had read the memorandum with approval to De Gaulle and wanted to negotiate on it. Mr. D. W. Bell inquired at the White House and discovered that the President had not approved it, had not discussed it with De Gaulle, and indicated that he did not want the lend-lease negotiated on the memorandum.

2. On July 15, State, Treasury, and FEA sent a revised memorandum to the President which the President approved on July 18 (Exhibit B).

3. About July 20, this program was given to the French negotiators for their consideration. They refused to discuss this proposal and requested, and we consented, that we agree to negotiate a lend-lease agreement after the completion of the Civil Affairs Agreement with the de facto French authority.

4. Throughout the month of August and the first two weeks in September, State and FEA, without Treasury participation, worked on a draft lend-lease proposal to the French (Exhibit C).

This proposal went beyond the memorandum of July 15 approved by the President and therefore State submitted to the President at Quebec a memorandum requesting the President's approval (Exhibit D).

The President consulted Secretary Morgenthau, and after an explanatory cable from D. W. Bell arrived at Quebec, the

President did not approve the memorandum from State and turned the matter over to Secretary Morgenthau to handle.

5. From September 15 to about January 1, 1945, nothing further was done on the French lend-lease agreement.

6. On January 5, State circulated a new draft of a lend-lease proposal which was similar to the proposal of the previous September. This proposal was discussed at a meeting in Mr. Clayton's office on January 6, at which time it was suggested by Cox and agreed to by Clayton that exploration should be given to a master lend-lease agreement of the British-Russian type and that the previous form of agreement be dropped.

On January 13, Grew wrote to Secretary Morgenthau saying that the lend-lease matter discussed at Quebec was dead. Thereafter, consideration was given only to the new proposal of a master lend-lease agreement.

On January 18, Secretary Morgenthau wrote to the Secretary of State suggesting that the British-Russian type of master lend-lease agreement be given to the French and suggested the criteria which should guide the formation of the program.

On January 22, Clayton's assistant sent to Mr. White a draft of a letter to Monnet together with a draft master lend-lease agreement. The letter to Monnet proposed that a master lend-lease agreement be signed immediately, but with the understanding that the lend-lease program would depend upon the French gold and dollar position. (Exhibit E).

On January 23, Secretary Morgenthau wrote again to Secretary Stettinius suggesting that the type of program be agreed upon before the master lend-lease agreement should be signed.

On January 26, Cox submitted a proposed program for Treasury's consideration.

On January 29, this program was discussed in Secretary Morgenthau's office with Cox and Clayton. Secretary Morgenthau suggested variations on the Cox-Clayton proposals, which were to be further canvassed on the technical level.

VARIATIONS IN FRENCH LEND-LEASE PROPOSALS

Document	: Civilian : : Supplies :	Industrial Supplies : Related to War Effort	: Long-life : Industrial Goods	: End of Lend-lease : Agreement
Memorandum to the President, July 6, 1944. (Not approved by the President)	Cash	Lend-lease	Credit	"End of hostilities"
Memorandum to the President, July 15, 1944 (Approved by the President)	Cash	Lend-lease	Credit for items necessary for prosecution of war in Europe. Cash for other items.	"End of hostilities in Europe and thereafter as determined by the President."
Memorandum to the President, September 11, 1944 (Not approved by the President)	Cash	Lend-lease	Credit for all industrial long-life goods.	"End of hostilities unless determined otherwise by the President."
Present proposal by FEA and State	Lend-lease	Lend-lease	Lend-lease for value depreciated during war. Credit for balance.	No proposal
Suggestion of Treasury	Lend-lease	Lend-lease	50 percent cash. 50 percent credit.	Revision periodically and after V-E Day

July 15, 1944

TO THE SECRETARY:

Attached is the memorandum submitted to the President on July 6 by the State Department without clearance with War or Treasury, which sets forth proposed principles for a financial and Lend-Lease agreement with the French.

This is the memorandum which got into the hands of Alphand of the French Mission, before it had been seen by Treasury or War, and which Alphand asserted was read to deGaulle by the President.

(Initialed) D. W. B.

DWB:NLE

EXHIBIT A

21
July 14, 1944.

Secretary Morgenthau

Mr. Bell

Attached is the memorandum submitted to the President on July 6 by the State Department without clearance with War or Treasury, which sets forth proposed principles for a financial and Lend-Lease agreement with the French.

This is the memorandum which got into the hands of Alphanand of the French Mission, before it had been seen by Treasury or War, and which Alphanand falsely asserted was read to DeGaulle by the President.

MLH-ef 7/14/44

MEMORANDUM FOR THE PRESIDENT

C
P
Y

Subject: Summary of Proposed French Lend-Lease Arrangements

The following arrangements, approved by the State Department and the Foreign Economic Administration, are designed to establish a foundation for the supply programs now being planned for France, in the event that the French Committee is called upon to act in France.

It is proposed that aid be made available to the French as follows:

A. All civilian supplies would be paid for currently in cash, including those made available by the Army during the military period.

B. Industrial supplies which can reasonably be expected to have a post-war usefulness or a substantial post-war value, together with consumable industrial supplies not required for military production, would not be furnished on straight lend-lease but would instead be sold to the French on a long-term basis of payment as provided in the draft Lend-Lease Liquidation Agreement (under Section 3(c) of the Lend-Lease Act) recently proposed to the Russians. The broad principles of this agreement were approved by you on March 7.

C. Supplies required by the French forces and consumable industrial supplies and equipment required for such French military production as may be desirable would be transferred to the French as straight lend-lease during hostilities. After the cessation of hostilities, however, such supplies and equipment, to the extent that we had agreed to make them available and had them either in inventory or under contract, would be delivered and paid for on the same basis as item in B above.

On their part the French would make aid available to us as follows:

A. Supplies, services, and facilities required by our forces either in French territories or elsewhere (to the extent that French territories are the most practical source of supply) would be furnished as reverse lend-lease aid.

B. Strategic materials from French Colonies required by our war industries would also be made available on reverse lend-lease.

C. French currency, in amounts judged necessary by appropriate American officials to provide reverse lend-lease aid by means of cash purchase whenever official methods of requisitioning are inadequate, would also be provided by the French under provisions similar to the franc deposit account set up under the terms of the Modus Vivendi in French North Africa. If desirable, liability for all currency expended in France to procure items qualifying as reverse lend-lease, including currency issued under the authority of the Supreme Allied Commander, would be assumed by the French Committee as a part of the currency and deposits to be made available as reciprocal aid.

If you approve these arrangements, discussions with the French Committee in regard to the agreements necessary to put them into effect could start in the near future.

SR:HHV:EEB
7/13/44

WEA EH EUR WE LA

COPY

July 15, 1944

SECRETMEMORANDUM FOR THE PRESIDENT

In dealing with the French representatives here, they insist upon having an outline of what we expect to do in respect of mutual aid for Continental France. The attached is a revised memorandum on the subject, for presentation to the French, which has received the approval of State, War, Treasury, and FEA. We believe this program will fully promote war objectives and at the same time protect United States interests. We hope for early consideration and decision as the French will delay agreement on civil administration and currency arrangements until mutual aid question is clarified. In any event, final texts for lend lease and mutual aid will have to be worked out in detail and submitted to you for approval before closing with the French.

On July 8 I submitted for your information a memorandum outlining the general basis on which we suggested lend lease arrangements with the French would be negotiated. It is my understanding that you did not discuss the contents of the July 8 memorandum with General de Gaulle. The revised memorandum which is attached outlines the lend lease arrangement along somewhat narrower lines than were proposed in the July 8 memorandum. Specifically, the eligibility of consumable industrial goods under lend lease is tightened, and in point of time the proposed arrangements are tied generally to the end of the war in Europe rather than to the end of hostilities with all our enemies.

While as stated above, FEA approves the attached memorandum, FEA states that it still prefers the July 8 draft.

Attachment:

Memorandum dated
July 15, 1944.

EXHIBIT B

Regraded Unclassified

MEMORANDUM

I. The United States Government proposes that aid be made available for Continental France on the following basis:

1. Equipment and supplies for the French armed forces and short-life industrial and maintenance articles and materials for employment in French war production or communications, to the extent approved as necessary military aid, would be furnished under straight lend-lease until such time after the end of hostilities in Europe as the President may determine to be necessary in the war effort. Thereafter, such equipment, supplies, articles, and materials, to the extent that the United States Government had agreed to make them available and had them either in inventory or under contract, would be delivered and paid for on credit arrangements under Section 3(c) of the Lend-Lease Act.

2. Long-life

-2-

2. Long-life industrial articles and materials for French production essential to the prosecution of the war in Europe or to the support, supply, and protection of Allied armed forces in the immediate period following the end of hostilities in Europe would be furnished on credit arrangements under Section 3(c) of the Lend-Lease Act.
3. All other supplies furnished by the United States Government would be paid for currently in dollars. These would include supplies furnished under Plan "A". If the amount of dollars acquired by the French authorities on account of troop pay is inadequate to pay for such supplies, the French authorities will use for this purpose the gold now held in the territories under the control of the French authorities and such other gold and dollar assets as may be or may become available to the French authorities.

II. It

-3-

II. It is proposed that the following types of assistance would be made available as reciprocal lend-lease aid from France, and all territory under the control of the Committee, to the extent that they can be most effectively procured therein:

1. Military equipment, munitions, supplies, materials, services, projects, and facilities for the United States armed forces, except for the pay and allowances of such forces;
2. Such materials required for use in war industries of the United States, as the Committee may be in a position to supply;
3. In exceptional cases, and particularly in cases of local procurement of supplies, where it is more practicable to secure such reciprocal aid by direct purchase, French francs will be used for this purpose, and the goods so purchased will be considered as reciprocal aid.

III. It

-4-

III. It would be agreed that the United States would undertake to replace or refund in dollars, the cost of any articles obtained from the Committee as reciprocal aid which have been imported at the cost of the Committee and which can only be replaced from sources other than France and territories under the control of the Committee. This does not apply to component parts or component material.

Treasury Department
Division of Monetary Research

Date Sept. 25, 1944

To: Note for the Files:

Discussed this with the Secretary this afternoon and he directed that we sit tight on it; and if State Department presses for an answer to inform them that the matter is on the Secretary's desk.

H.D.W.

MR. WHITE
Branch 2058 - Room 214½

*French Lend Lease
1945*

30

DEPARTMENT OF STATE

~~FOREIGN AFFAIRS~~ DIVISION

Division of Financial and Monetary Affairs

September 20, 1944.

To: Mr. Taylor, Treasury

From: Mr. Reinstein, FMA.

In accordance with our conversation this morning there is attached a copy of the sixth draft (revised) of the French lend lease agreement. I am also attaching a copy of the memorandum which the Department sent to the President on this subject.

Exhibit C

Enclosures:

1. Sixth draft.
2. Copy of memorandum to President.

FMA:JJReinstein:jco

Rec'd. 9-20-44

EXHIBIT C

Reinstein

SECRET

Revised Sixth Draft - 9/14/44

AGREEMENT ON MUTUAL AID

The Government of the United States and the French Committee of National Liberation, desirous of rendering each other the mutual aid necessary to the prosecution of the war, are agreed upon the following Agreement on Mutual Aid which will, following signature, be applicable in all territory under the authority of the French Committee of National Liberation:

ARTICLE I

All aid undertaken to be provided by the United States of America under this Agreement shall be made available under the authority and subject to the terms and conditions of the Act of Congress of March 11, 1941, as amended, and the appropriation acts thereunder.

ARTICLE II

The United States of America will continue to provide such defense articles, services, and information for the French armed forces (including French Forces of the Interior) and such short-life articles for French war production, transportation, communications or other facilities, as the President of the United States of America may authorize to be provided under this Article II as necessary military aid, until a determination by the President that the aid provided for in this Agreement is

no

Reinstein

SECRET

Revised Sixth Draft - 9/14/44

AGREEMENT ON MUTUAL AID

The Government of the United States and the French Committee of National Liberation, desirous of rendering each other the mutual aid necessary to the prosecution of the war, are agreed upon the following Agreement on Mutual Aid which will, following signature, be applicable in all territory under the authority of the French Committee of National Liberation:

ARTICLE I

All aid undertaken to be provided by the United States of America under this Agreement shall be made available under the authority and subject to the terms and conditions of the Act of Congress of March 11, 1941, as amended, and the appropriation acts thereunder.

ARTICLE II

The United States of America will continue to provide such defense articles, services, and information for the French armed forces (including French Forces of the Interior) and such short-life articles for French war production, transportation, communications or other facilities, as the President of the United States of America may authorize to be provided under this Article II as necessary military aid, until a determination by the President that the aid provided for in this Agreement is

no

no longer necessary in the prosecution of the war. The aid to be furnished under this Article II shall not include pay and allowances of French forces or administrative expenses.

The final determination of the terms and conditions upon which the French Committee of National Liberation receives aid under this Article II, and of the benefits to be received by the United States of America in return therefor, shall be deferred until the extent of such lend-lease aid and reciprocal aid is known and until the progress of events makes clearer the final terms and conditions and benefits which will be in the mutual interests of the United States of America and France, and will promote the establishment and maintenance of world peace.

ARTICLE III

Within such periods as may be authorized by law, after the determination by the President of the United States of ~~America~~ ^{Europe} that the aid provided for in this Agreement is no longer necessary in the prosecution of the war, the United States of America undertakes to transfer and the French Committee of National Liberation undertakes to accept, under the terms of this Article III, such quantities of the articles and materials included in the categories listed in Schedule I annexed to and made a part of this Agreement, as the United States of
America

in Europe

-3-

America shall have agreed to make available under Article II of this Agreement, and shall have contracted for or shall have in inventory but which shall not have been transferred to the French Committee of National Liberation prior to said determination.

The French Committee of National Liberation undertakes to pay the Government of the United States of America in dollars for the supplies transferred under the provisions of this Article, an amount to be determined as set forth in Schedule I of this Agreement, and interest thereon, according to the terms and conditions set out in that Schedule.

Prior to said determination by the President, additional categories may be added to Schedule I from time to time by mutual agreement of the parties. When so added, the financial arrangements set forth in Schedule I shall apply.

ARTICLE IV

Within such periods as may be authorized by law, the United States of America undertakes to transfer and the French Committee of National Liberation undertakes to accept, under the terms and conditions of this Article IV, the long-life defense articles and other defense articles which the President of the United States of America may authorize to be provided under this Article IV, and which may by mutual agreement be included from time to time in

Schedule II

-4-

Schedule II annexed to and made a part of this Agreement, and which the United States of America shall have contracted for or shall have in inventory prior to the determination of the President of the United States of America that the aid provided for in this Agreement is no longer necessary in the prosecution of the war. —

The French Committee of National Liberation undertakes to pay the Government of the United States of America in dollars for the supplies transferred under the provisions of this Article, an amount to be determined as set forth in Schedule II of this Agreement, and interest thereon, according to the terms and conditions set out in that Schedule.

Prior to said determination by the President, additional categories may be added to Schedule II from time to time by mutual agreement of the parties. When so added, the financial arrangements set forth in Schedule II shall apply.

ARTICLE V

The French Committee of National Liberation shall be released from its obligation to accept supplies under the provisions of Articles III and IV upon the payment to the Government of the United States of any net losses to the United States, including contract cancellation charges,
resulting

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resulting from the determination of the French Committee of National Liberation not to accept such supplies.

Delivery of any supplies under the provisions of Articles III and IV may be cancelled by the United States without cost to the French Committee of National Liberation whenever the President of the United States shall determine that it is in the national interest of the United States.

ARTICLE VI

All other supplies furnished by the Government of the United States of America, under authorization of the President, to the French Committee of National Liberation, including civilian supplies furnished to Continental France, will be paid for currently in dollars.

ARTICLE VII

ARTICLE VII

1. The French Committee of National Liberation, retaining the right of final decision in each case in the light of its potentialities and responsibilities, will provide the United States of America, or its armed forces, with the following types of assistance as reciprocal aid from France and all territory under the authority of the French Committee of National Liberation when it is found that they can be most effectively procured therein:

- (a) Military equipment, munitions, and military and naval stores;
- (b) Other supplies, materials, facilities or services for United States forces, except for the pay, allowances, and other emoluments of such forces and the administrative expenses of American Missions;
- (c) Supplies, materials, facilities or services, except for the wages and salaries of United States citizens, needed in the construction of military projects, tasks, and similar capital works required in the common war effort;
- (d) Settlement and payment of appropriate civil claims arising in French territory against the United States and its armed forces, employees, and officers;

(e) Ship

- (e) Ship ballast, in order to assist in obtaining maximum efficiency in the use of shipping; provided, however, that any net proceeds resulting from the sale of such ballast shall be paid to the French Committee of National Liberation;
- (f) Such other supplies, materials, facilities or services as may be agreed upon as necessary in the prosecution of the war.

2. In order to obtain the reciprocal aid undertaken to be provided in this Article VII, it is agreed that, in so far as may be practicable, requisitions will be accepted from duly authorized representatives of the United States, or its armed forces, by officials designated by the French Committee of National Liberation, who will be established at convenient locations.

3. While the French Committee of National Liberation retains the right of final decision in the light of its own potentialities and responsibilities, decisions as to the most effective use of resources shall, so far as possible, be made in common, pursuant to common plans for winning the war.

ARTICLE VIII

In order to facilitate the procurement of the supplies, materials, facilities, information, and services covered by Article VII, by permitting their direct purchase rather than their procurement by the methods

contemplated

contemplated in that Article, during the period of military operations and until such time as the official agencies of the French Committee of National Liberation are able to provide such reciprocal aid in the manner contemplated in that Article, the French Committee of National Liberation agrees to make available to designated officers of the United States Government such French currency or credits as may be needed for the purpose. The French Committee of National Liberation will be kept informed, in a manner as complete and regular as possible, of all expenditures made with such French currency or credits.

ARTICLE IX

The United States of America will make current payment in dollars to the French Committee of National Liberation for the equivalent of the amount of French francs advanced to the United States Government by the French Committee of National Liberation under Article VIII, or other arrangements, and expended by the United States Government in Continental France, and other territory under the control of the French Committee of National Liberation, for the net pay, allowances, and other emoluments of the United States armed forces in Continental France and for purposes other than those treated as reciprocal aid under Article VII hereof.

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The Government of the United States of America also undertakes, in its option, to replace in kind, or to refund in dollars the cost of, any articles obtained in Continental France, either by requisition or by purchase with francs advanced to the United States Government by the French Committee of National Liberation under Article VII, or under other arrangements, to the extent that such articles require current replacement by dollar purchases from sources other than France and territories under the control of the Committee. This paragraph will not apply to component parts or component material of articles furnished as reciprocal aid.

ARTICLE X

Adequate records will be kept of all goods and services delivered as lend-lease aid and reciprocal aid under this Agreement.

ARTICLE XI

The French Committee of National Liberation will not, without the consent of the President of the United States of America, transfer title to or possession of any defense article or defense information transferred to it under Article II of this Agreement, or permit the use thereof by anyone not an officer, employee, or agent of the French Committee of National Liberation.

ARTICLE XII

ARTICLE XII

If, as a result of the transfer to the French Committee of National Liberation of any defense article or defense information, it becomes necessary for the French Committee of National Liberation to take any action or make any payment in order fully to protect any of the rights of a citizen of the United States of America who has patent rights in and to any such defense article or information, the French Committee of National Liberation will take such action or make such payment when requested to do so by the President of the United States of America.

ARTICLE XIII

The French Committee of National Liberation will return to the United States of America, whenever it is determined by the President of the United States of America to be in the national interest of the United States, such defense articles transferred under Article II of this Agreement as shall not have been destroyed, lost, or consumed, and as shall be determined by the President to be useful in the defense of the United States of America or of the Western Hemisphere, or to be otherwise of use to the United States of America.

ARTICLE XIV

In the final determination of the benefits to be provided to the United States of America by the French Committee of National Liberation, full cognizance shall

be taken of all property, services, information, facilities, or other benefits or considerations provided, subsequent to March 11, 1941, by the French National Committee, by the French Civil and Military High Command or by the French Committee of National Liberation, or provided otherwise, and accepted or acknowledged by the President on behalf of the United States of America.

ARTICLE XV

In the final determination of the benefits to be provided to the United States of America by the French Committee of National Liberation in return for aid furnished to the French National Committee, the French Civil and Military High Command, and the French Committee of National Liberation under the Act of Congress of March 11, 1941, and under that Act as amended, the terms and conditions thereof shall be such as not to burden commerce between the United States of America and France but to promote mutually advantageous economic relations between them and the betterment of world-wide economic relations. To that end, the United States of America will propose inclusion of provision for agreed action by the United States of America and France, open to participation by all countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods which are the material

foundations

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foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce; to the reduction of tariffs and other trade barriers; and, in general, to the attainment of all the economic objectives set forth in the Joint Declaration made on August 12, 1941, by the President of the United States of America and the Prime Minister of the United Kingdom.

ARTICLE XVI

This Agreement shall replace the Agreement with the French National Committee dated September 3, 1942, and the Modus Vivendi Agreement with the French Committee of National Liberation dated September 25, 1943. It shall take effect as of June 6, 1944; except that in so far as its provisions supersede the Agreements of September 3, 1942, and September 25, 1943, it shall be considered to take effect as of June 30, 1944. It shall continue in force until a ~~date~~ to be agreed upon.

Signed at Washington this _____ day of _____

For the Government of the United States of America:

For the French Committee of National Liberation:

SCHEDULE I

The terms and conditions upon which the articles in the categories listed below are to be transferred by the Government of the United States to the French Committee of National Liberation under the provisions of Article III of this Agreement are as follows:

A. Unless otherwise provided by mutual agreement, transfers of supplies shall take place, and title and risk of loss shall pass to the French Committee of National Liberation, immediately upon loading of the supplies on board ocean vessel in a United States port; provided, that those supplies which, prior to the end of the periods authorized by law referred to in Article III of the Agreement, shall have been delivered by the contractor to the United States Government and shall not have been transferred to the French Committee of National Liberation as above set forth, shall be transferred, and title and risk of loss shall pass to the French Committee of National Liberation, upon the last day of such periods.

B. The amount which the French Committee of National Liberation shall pay to the Government of the United States for supplies transferred under the provisions of Article III of this Agreement, shall be the sum of the following items, as determined by the President of the United States, or an officer of the United States Government designated by him:

1. The

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1. The price of the supplies, which shall be determined as follows:

(a) In the case of standard supplies the price shall be the current sale price or the adjusted contract price, whichever is lower; provided, that in the event the current sale price is not determined, the price shall be the adjusted contract price less five per cent of such adjusted contract price.

In the case of non-standard supplies which shall have been delivered to the United States by the contractor prior to thirty days following the date of the determination by the President that the aid provided for in this Agreement is no longer necessary in the prosecution of the war, the price shall be the current sale price or the adjusted contract price, whichever is lower; provided, that in the event the current sale price is not determined, the price shall be the adjusted contract price less five per cent of such adjusted contract price. In the case of non-standard supplies which shall have been delivered to the United States by the contractor subsequent to thirty days following the aforesaid date of the determination by the President, the price shall be the adjusted contract price.

The

The determination of the said price of supplies by the President, or an officer of the United States Government designated by him, shall be made in accordance with the following definitions:

The term "standard supplies" shall mean those supplies which have been contracted for by the United States Government in accordance with standard United States specifications. The term "non-standard supplies" shall mean those supplies which have been contracted for by the United States Government in accordance with non-standard United States specifications. It is understood that those supplies which are standard except for minor non-standard features, attachments or adjustments shall be deemed to be standard supplies.

The term "adjusted contract price" shall mean the contract purchase price f.o.b. point of origin paid by the United States Government to the contractor, less five per cent of such contract purchase price, or, if such contract purchase price cannot be determined for the particular supplies transferred, the estimated average contract purchase price f.o.b. point of origin paid by the United States Government for similar supplies during a period of three months preceding the aforesaid date of the determination by the

President

- 4 -

President of the United States, less five per cent of such average contract purchase price.

The term "current sale price" of particular standard or non-standard supplies transferred to the French Committee of National Liberation shall mean the price at which similar standard supplies of comparable quality and in comparable quantity have been sold by the United States Government, at or about the time of transfer of the particular supplies to the French Committee of National Liberation, to any foreign or domestic buyer. It is understood that "foreign or domestic buyer" shall be deemed to exclude United States Government agencies, States and political sub-divisions thereof, United States public, charitable, or educational institutions, relief organizations, and any persons or organizations which may purchase supplies on special financial terms provided by law;

2. Fifteen per cent of the contract purchase price of the supplies f.o.b. point of origin, to cover inland transportation, storage, and other charges, or if such contract purchase price cannot be determined for the particular supplies transferred, 15% of the estimated average contract price f.o.b. point of origin, paid by the United States Government for similar supplies during a period of three months preceding the aforesaid date of the determination by the President of the United States.

C. Payment of the total amount determined, as set forth above, for all supplies transferred under the provisions of Article III of this Agreement, shall be made by the French Committee of National Liberation as follows:

1. Commencing five years after the date of the determination by the President that the aid provided for in this Agreement is no longer necessary in the prosecution of the war, the French Committee of National Liberation will pay said total amount in twenty-six annual installments in accordance with the following table:

Number of Annual Installments	Percentage of Total Amount due to be paid as an Annual Installment	Total
4	2.5%	10%
3	3.	9
4	3.5	14
5	4.	20
5	4.5	22.5
5	4.9	24.5
<u>26</u>		<u>100%</u>

2. All or any portions of the amounts ~~to~~ be paid hereunder may be paid by the French Committee of National Liberation in advance of the dates agreed upon in the foregoing table.

3. If, by agreement of the United States of America and the French Committee of National Liberation, it is determined that, because of extraordinary
and

and adverse economic conditions arising during the course of payment, the payment of a due installment would not be in the joint interest of the United States and the French Committee of National Liberation, payment may be postponed for an agreed upon period.

D. Interest on the unpaid balances of the amount determined under paragraph B above for any supplies transferred under the provisions of Article III of this Agreement, shall be paid by the French Committee of National Liberation, irrespective of the time when the determination of said amount is made, at the fixed rate of two and three-eighths per cent per annum, from the first day of the month following the month in which transfer took place. Interest shall be payable annually, the first payment to be made upon the expiration of twelve months following the last day of the month in which the President has determined that the aid to be provided hereunder is no longer necessary in the prosecution of the war; provided, that in respect of supplies for which said amount has not been determined as above set forth prior to the time when interest would be payable on such amount, if determined, interest from the first day of the month following the month in which transfer took place shall be included in the annual interest payments, provided for above, following the time when the said amount has been determined.

* * * * *

The categories of articles referred to in Article III of this Agreement are as follows:

SCHEDULE II

The terms and conditions upon which the supplies listed below are to be transferred by the Government of the United States to the French Committee of National Liberation under the provisions of Article IV of this Agreement are as follows:

A. Transfers of supplies shall take place, and title and risk of loss shall pass to the French Committee of National Liberation, upon the same terms as are set out in Schedule I annexed to this Agreement.

B. The amount which the French Committee of National Liberation shall pay the Government of the United States, for supplies transferred under the provisions of Article IV of this Agreement, shall be the sum of the following items, as determined by the President of the United States, or an officer of the United States Government designated by him:

1. The contract purchase price paid by the United States Government to the contractor.

2. Fifteen per cent of the contract purchase price paid by the United States Government to the contractor, to cover inland transportation, storage, and other charges.

C. Payment of the total amount, determined, as set forth above, for all supplies transferred under the provisions of Article IV of this Agreement, shall be made by the French Committee of National Liberation upon the

same

-2-

same terms and conditions as are set out in Schedule I annexed to this Agreement.

D. Payment of interest on the unpaid balance of the amount, determined as set forth above, for any supplies transferred under the provisions of Article IV, shall be made by the French Committee of National Liberation upon the same terms and conditions as are set out in Schedule I, with the exception that in the case of supplies transferred prior to the determination by the President that the military resistance of the common enemy has ceased, interest shall be paid from the last day of the month in which the President has determined that the aid to be provided hereunder is no longer necessary in the prosecution of the war.

* * * * *

The categories of articles referred to in Article IV of this Agreement are as follows:

1.

2.

3.

etc.

DRAFT - SAM 9/11/44

MEMORANDUM

This memorandum confirms the mutual understandings reached between the United States of America and the French Committee of National Liberation concerning several matters of interpretation and administration in connection with their Preliminary Agreement dated _____, covering lend-lease aid and reciprocal aid, as follows:

1. Under Article VI of said Preliminary Agreement the French Committee of National Liberation has undertaken to make current payment in dollars for all civilian supplies furnished by the Government of the United States of America other than those furnished under Articles II, III, and IV of the Preliminary Agreement. The French Committee of National Liberation gave assurance that, in the event the dollar resources available to the French Committee of National Liberation should prove inadequate to meet this undertaking, the Committee will use for this purpose French public dollar and gold assets, including the holdings of the Banque of France.

2. The

- 2 -

2. The policy and practice of the Government of the United States of America has been and is to provide civilian supplies on a lend-lease basis only to theaters of active military operations when financial factors justify such aid. Accordingly, the Government of the United States of America will furnish civilian supplies to French areas outside of theaters of active military operations only in such exceptional cases where the President of the United States of America shall determine that such civilian supplies are necessary in order to assist in the defense of the United States and the prosecution of the war. In any such cases, the French Committee of National Liberation will pay the cost of such supplies currently in dollars.
3. The undertaking of the Government of the United States of America to furnish civilian supplies to the French Committee of National Liberation has been accepted in order to overcome the disruptions in the normal channels of supply that are attributable to the prosecution of the existing war, and shall not be considered as a deterrent to the resumption of private trade through normal commercial channels.

4. It

- 3 -

4. It is understood that in the implementation of the provisions of this Agreement, the United States of America will act in accordance with its constitutional procedures.

C
O
P
Y

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.

(Copy of longhand
note)

THE WHITE HOUSE
Washington

Sept. 12, 1944

Mr. President:

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

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

(Sgd) HARRY

DEPARTMENT OF STATE
Washington

September 11, 1944

Memorandum for the President
French Lend Lease Agreement

CO
P
Y

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 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

EXHIBIT D

Regraded Unclassified

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 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.

(Pencil initials - "C H")

OFFICE MEMORANDUM - United States Government

To : Mr. Harry White
From : Mr. John Ferguson

Date: January 22,
1945

Subject:

Enclosed are copies of a proposed letter to M. Monnet and master lend-lease agreement, which Mr. Clayton has asked me to send to you.

JHF:ELB

Exhibit E.

C O P Y

C O P Y

My dear Monsieur Monnet:

I am enclosing a master lend-lease agreement which this Government is prepared to propose for signature with the Provisional Government of France. If this is acceptable to the Provisional Government of France and signed by our two Governments, we shall be in a position to discuss with you the supply program to be undertaken.

In working out the non-munitions portion of the program, we will wish to consider the status, actual and prospective, of the French gold and dollar balances and determine to what extent your Government will be in a position to use its gold and dollar exchange resources in meeting such non-munitions requirements.

Naturally, it should be understood that any lend-lease program for the French worked out in advance at this time will not constitute a firm commitment, but that actual delivery will be subject to the changing demands of strategy, to supply and transport considerations and the usual considerations of procurement and allocation.

Sincerely yours,

William L. Clayton,
Assistant Secretary

M. Jean Monnet,

Commissaire en Mission,

Provisional Government of the French Republic,

1800 Massachusetts Avenue, N.W.,

Washington, D.C.

C O P Y

January 30, 1945
11:00 a.m.

Re: FEDERAL RESERVE LEGISLATION

Present: Mr. D. W. Bell
Mr. Eccles
Mr. Lynch
Mr. Delano

MR. ECCLES: Well, I guess you want me to proceed?

H.M.JR: Yes. Just before we start, did you see this story in the American Business Week on Giannini?

MR. ECCLES: I didn't see it. I saw one on Giannini in Rube Lewis' paper in Chicago on finances.

(Mr. Lynch leaves the conference temporarily.)

H.M.JR: He has evidently hired somebody to build him up.

MR. ECCLES: He has been doing a good job. I don't think he needs much help.

MR. BELL: He has the biggest bank now. He has eliminated our deposits, hasn't he?

(Mr. Lynch re-enters conference.)

MR. ECCLES: There was a group of bankers in from California and I didn't see them, but they went up on the Hill and talked to Patman who has been interested in holding company legislation. He took them over to see Spence, who is Chairman of the Committee, and who knew nothing about the matter. I don't know, I wasn't here, and Spence called up and talked to McKee about the matter and McKee reported the matter to me and the Board Members. What Spence said he would do is he would introduce any bill that anybody sent up to him to introduce. He was going to introduce it.

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This is a letter that I haven't sent.

(The Secretary holds a telephone conversation with
Mr. McCloy.)

January 30, 1945
11:03 a.m.

HMJr: I don't know whether you know we're up to our necks in the proposal for French Lend-Lease.

John McCloy: Yes, I've heard from fringes of it, yes.

HMJr: And the whole dollar balance thing to come into it.

M: Yes.

HMJr: And so -- also comes into it this -- call it Plan A.

M: Yes.

HMJr: And which would affect dollar balances if it ever went into effect.

M: Yes.

HMJr: I think you ought to be in on it on the whole picture.

M: Yeah. Well, I've been feeling that probably I should be because there is so much background in it. We negotiated that Alphan Agreement and I've been in all other phases of it so deeply there may be one or two things I could be of some use on.

HMJr: Well, I wish you would get in on it, and then the other thing is I don't know whether you people are holding up any shipment of food to France or not.

M: No, we're not holding up any shipment.

HMJr: Somebody said something about your holding six ships.

M: Well, we're holding them -- we're loading them. And as soon as they're loaded, off they go. I think two have already gone. There are four -- there certainly is no hold-up.

HMJr: Well

M: I mean, we're loading them as fast as we can get the cargo with the idea of getting them over as rapidly as we can.

HMJr: Well, I'm going -- I wish you'd get in on it. I'm going to tell Will Clayton that.

M: Yeah. All right.

HMJr: Because you've got certain parts of the thing

M: Yeah.

HMJr: and it seems silly that we don't put all of our cards on the table.

M: Yeah.

HMJr: What?

M: Yeah.

HMJr: Because the French know the whole problem.

M: Oh, yes, they know the whole picture. And they -- they think, of course, Monnet -- the usual Monnet tactics -- he'll play all around.

HMJr: That's right.

M: And there are a number of factors in that Alphanth thing and the whole supply -- French supply thing that I think anybody that's working out a new arrangement ought to know about.

HMJr: Well, I'm going to tell him.

M: Right.

HMJr: And then on this Plan A thing, whatever we don't know, if you could post Harry White because he says he doesn't know -- he's about eight or nine months behind on it.

M: Yes, yes.

HMJr: You see?

M: Well, we'll -- I'll get hold of him.

HMJr: If you'd get hold of him and bring him up to date

M: Right. Right.

HMJr: It sounds like an awful mess.

M: Well, it's -- it's a -- what we started out with -- see, we have our regular civilian -- Civil Affairs program, the one that we feel that we've got to have responsibility for ourselves in the rear area, right behind the lines. Then there was the -- the French weren't satisfied with that exactly. They wanted the whole -- they wanted a larger field and we set up this so-called Plan A. We took their list of what they thought they needed and screened it.

HMJr: Yeah.

M: And sent it over to Eisenhower in the light of the whole situation and we finally worked out something to shoot for.

HMJr: Yeah.

M: It was no commitment but just a -- this is what we'll try to do.

HMJr: Yeah.

M: And then very shortly after that the French began to agitate for a separate program. Now, don't -- with respect to the Plan A, we got Alphonse to agree that he would use his cash, as you remember, and his gold for that.

HMJr: Yes.

M: That was like getting a tooth out of his head, but he finally let go of it.

HMJr: Yeah.

M: But he always had in mind getting lend-lease arrangements and switching that Plan A business over into a lend-lease affair.

HMJr: Yeah.

M: He said -- we didn't have anything to do with that. We were only talking about what they could do -- they'd originally said they were prepared to do -- buy their own stuff.

HMJr: Yeah.

M: And if later on we wanted to give them lend-lease that was something for the State Department and the Treasury to work out. As far as the War Department was concerned, they'd give us the money and we would buy this material for them and ship it in our military program.

HMJr: Yes.

M: Then they wanted to put that into a separate National program to which we were sympathetic. We liked the idea of having them control it and run it, and buy it, as long as we had the say as to how many ships come over and can be unloaded and as long as it doesn't interfere with the military program. We're all for it.

HMJr: Yeah.

M: The French separate program. Now, Somervell dissented from that but I think everybody but Sommervell feel that politically and otherwise, it's a very sound thing to do.

HMJr: Well, I think we ought to have a united front on this.

M: Yes, we must. And I think that

HMJr: And I'd like

M: we're right at the stage now where we should have it, because there's a great deal of bickering going on.

HMJr: Well, I'd like to sit down in the next day or two with you and Hilldring.

M: Right.

HMJr: And I'd like to get -- soak it in myself.

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M: Right.

HMJr: But I'll tell White.

M: You tell White and we'll get -- have a little meeting beforehand and then lay it out.

HMJr: Thank you very much.

M: Right. Right.

H.M.JR: Excuse me, but I have been trying to get him for a half-hour. I am sorry. There will be no more interruptions, but I have been trying to get him.

We are in a mess on this French business. Departments should work together. When a foreigner comes over here he knows he is one, but then each Department works against the other, and we lose by it.

MR. ECCLES: I'll say we do!

H.M.JR: There isn't a smarter fellow in town than Jean Monnet.

MR. ECCLES: This French situation! Think of the advantages they have and how fortunate they are to have escaped the ravages of war, and the stuff that has been left over there, and what we are paying them for everything we get. You just don't feel very sympathetic.

MR. BELL: Plan A was supposed to be military and not Lend-Lease, in the straight sense of the word.

H.M.JR: Let about twenty million dollars go forward, that's all! And the English are fighting over American accounting. They won't accept it. We can't present a bill to the French because the English won't agree to our accounting.

MR. ECCLES: We can't because the English don't approve!

H.M.JR: It is the most time-consuming thing, and you see, the French spend all their money and they say, "We would like to, why don't you present us with a bill?"

MR. ECCLES: Yes. This is just a little incident among the other troubles.

- 3 -

Here is a letter, then, that I want to send up to Spence--it's just a short one--and I don't want your reply to the letter until I give some of the rest of the picture here. "Mr. McKee has reported your telephone conversation of January 18th with him to the other members of the Board. As you know--"

H.M.JR: This is part of your letter to Spence, from you?

MR. ECCLES: From me. "As you know, the Banking Act of 1933 was in part designed to regulate bank holding companies"--the original Banking Act--"and the Board has had the express responsibility for administering that part of the Act. The reasons and need for regulation were fully developed in the extensive hearings, and the report submitted at the time, and need no restatement. However, the laws enacted at that time have not proven to be as effective as it was intended, and the problem continues to be one of serious concern to the Board. This has been true also with respect to other Federal Banking Agencies, which while not having the primary responsibility, do have a real interest in the subject matter." That concerns other Federal agencies. I think that has been true from the information I have had from the Comptroller and FDIC people.

"In his Message to the Congress on April 29, 1938, the President pointed out the great economic power that might ~~be~~ wielded by a group acquiring domination over banking resources in any considerable area of the country, and recommended that the Congress enact legislation that would effectively control bank holding companies. The Board, in its annual report for the year 1943, recommended the enactment of comprehensive legislation designed to correct certain abuses and to achieve certain objectives, which to the Board, seemed highly desirable in the public interest. A copy of the report is enclosed, and you will find the section dealing with the Board's recommendation on page thirty-four. Since the report, numerous individual banks, and associations of banks, have importuned the Board to offer the precise form of bill which would carry out the Board's recommendation in its support, or to lend its

- 4 -

support to other forms of suggested bills.

"Representatives in Congress have made similar requests. There has been neither improvement nor change in the situation since the report was made, which causes the Board to feel any less concern, and the abuses described in the report continue unabated and uncontrolled. Under the circumstances, the Board would be glad for you to offer legislation which would carry out the Board's recommendations, and a draft of such a bill prepared by the Board's Staff some time ago is enclosed. The Board will be glad also to respond to any requests for future information, and to assist you and your Committee in any appropriate way."

Now, if such legislation were offered I would say this, that it would go down with the distinct understanding that it would not be taken up until all of these other --Bretton Woods and other--bills would be out of the way--and even then it may not be taken up, I don't know. My only point is to meet this situation so far as our responsibility is concerned. Now, that is one form of it; that is the letter we would like to send out.

H.M.JR: Hasn't it gone?

MR. ECCLES: No, no! And if we didn't send that one, this other one is the same except for the last paragraph. We have to write to Spence. We have to do something. He is expecting a reply. We could do this. "In the circumstances, the Board has asked me to advise you that when the Board was considering its annual report of 1943, a draft of the bill desired to carry out recommendations made in the report was prepared by the Board's Staff. The Board will be glad to respond to any request you may make for a copy of that stuff and to assist your Committee in any appropriate way."

Now, the second one, of course, is asking them to introduce anything, just making a report and saying, "We will be available at your convenience. We have a tentative bill, if you want to use it and if you want to introduce it. Now, I would like to be more definite, more specific, more direct,

- 5 -

and say, "Here is a bill, If you would like to introduce it, we will be glad to have you do so." Now, I want to give you, somewhat, this picture of the thing that brings that about. If you will take that--(Hands Secretary report entitled "Giannini Empire," dated January 29, 1945.)^(P. 8, 13, 261) the first page is a digest, to save you time for the next three pages.

H.M.JR: It has a good title.

MR. ECCLES: Yes. You see, you take the first one which is a digest of the next three pages.

H.M.JR: May I read it?

MR. ECCLES: Shall I read it out loud?

"As of December 30, 1944, Bank of America N.T. & S. A. had \$4,600,000,000 resources and \$4,340,500.00 desoposits. If war loan deposits were deducted from the statement of all banks, this bank would be the largest bank in the world. Moreover, the amount of interbank balances which it holds, as compared with the amounts held by other leading banks, gives it an even more commanding position viewed from the standpoint of individual deposits. In addition to this bank, control is exercised over 15 other banks in California alone. These banks have aggregate deposits of \$181,100,000, with the result that in California they control 50 per cent of the banking offices (518) and 41.5 per cent of the deposits."

Now, you can see the list over here; just turn over the first page. You see, under California--that list is the other banks--the one hundred and eighty-one million you have just looked at, that's the group of other banks, you see, which are not Bank of America at all, but are in California, They have acquired, you notice, since they met here with us, practically that entire list, notice that, right up to November 1944. They just went right on; and they haven't stopped a particle. "In Arizona they control 15 percent of the offices and 23.3 per cent of the deposits; in Nevada 60.9 per cent of the offices and 79.8 per cent of the deposits; and in Oregon 34.3 per cent of the offices and 41.5 per cent of the deposits.

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"Since 1940 they have acquired 19 unit banks having total deposits of \$180,600,000."

These pages you have to give to detail. That gives you the detail of it.

H.M.JR: I see. I think I can read it faster.

MR. ECCLES: They had not seen it.

H.M.JR: I am sorry.

MR. ECCLES: "The foregoing does not include the measure of control exercised by virtue of a minority interest in two or three smaller banks in California, the majority stockholders of which are presently maintaining control by virtue of voting trusts to which they have subscribed. It does not include the measure of control exercised by virtue of a substantial investment in the National City Bank of New York, making it possible for A. P. Giannini to be on the Board of that bank. Nor does it include the as yet unsuccessful blitz made upon the Citizens National Trust and Savings Bank of Los Angeles which itself has \$300,000,000 in deposits and some 30 odd branches in Los Angeles. To date, something over 25 per cent of this bank's stock has been acquired by virtue of which the control over the election of 5 out of the bank's 20 directors is exercised."

He now has five out of twenty directors of that bank, and confidentially, he has been trying to get one of the Presidents of our Federal Reserve Bank, Allan Sproul, to take over the Presidency of that Bank.

MR. BELL: Citizens?

MR. ECCLES: And a salary substantially more than we are paying. He is smart enough to turn it down.

H.M.JR: He has turned it down?

MR. BELL: He wants to go to California, doesn't he?

- 7 -

MR. ECCLES: San Francisco, not Los Angeles.

"Activities are not confined to the acquisition and control of banking resources. Huge holdings in real estate are controlled through Capital Company. In the insurance field, control is exercised over Occidental Life Insurance Company of California with book assets of over \$100,000,000; Pacific National Fire Insurance Company with assets of over \$10,000,000; and Premier Insurance Company with assets of around \$3,000,000.

"Recent activities in the industrial field have indicated a policy of expansion similar to that followed in banking. To the longstanding control of General Metals Corporation, which did a \$12,000,000 business in 1943, has been added since 1941 Enterprise Engine and Foundry Company, which did a \$16,000,000 business in 1943, the Adel Precision and Products Corporation, which did a \$18,500,000 business in 1943, and the Aerco Corporation, a smaller company, concerning which we have no figures.

"To carry this volume of business it was necessary for some of these companies to borrow from banks and from Transamerica Corporation. Here the danger is twofold. Not only are power and control being concentrated but the potential borrower and potential lender are under the same management, a management whose past record in the matter of intercorporate transactions and whole liberality in the extension of credit to controlled corporations is well known. Moreover, there is a known tendency upon its part to take speculative positions and to make speculative investments. Within the period of the acquisitions above set out, there were acquired and sold Axton-Fisher Tobacco Company and Pacific Finance Corporation. According to report, huge profits were made in these transactions but huge losses have been taken in the past and could be taken in the future. Measures should be taken to prevent the lending of depositors' funds to support such undertakings.

"A list of controlled nonbanking organizations and the corporation through which they are controlled is as follows:"--

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I won't read it, but you have the picture there.

"Although consistently denied, there is highly persuasive evidence that Pacific Coast Mortgage Company and some of its affiliated companies and subsidiaries, including Bankamerica Company, are under the domination of Transamerica even in the absence of control through ownership of a majority of its stock. Bankamerica Company is a securities company which formerly was admittedly controlled by Transamerica Corporation. This affiliation became unlawful under the provisions of the Banking Act of 1933 and the company, after a series of questionable transfers, ended up with Pacific Coast Mortgage Company as its ostensible owner.

"The control of such vast resources, in itself, creates the gravest sort of economic problems and these are emphasized when the investment of the controlling individuals is as insignificant as is the case here. Likewise, the mere possession of such power, even if it were not used (and there is plenty of evidence that it has been) has far-reaching political implications, particularly when the power is in the hands of a management which is openly hostile to the policies of this Administration and is defiant of all Federal authority as is this one. It is unfortunate that it is necessary to do anything at this time but the choice is not ours. This management recognizes no truce. Indeed, it takes advantage of the times to get its hands on more and more economic resources with the result that, if nothing is done, we may come to the end of the ~~war~~ and find that a Fascist economic empire has been built within our own borders.

"We would like to get support for legislation which would stop this uncontrolled expansion and eliminate the evils and potentially dangerous consequences inherent in the common management and control of banking and nonbanking enterprises. If the type of legislation recommended in the Board's Annual Report for 1943 should be enacted but should fail to accomplish the required results, then, as between the existing situation and the complete dissolution of all bank holding companies, the latter is the only choice. Now is no time, however, to force the liquidation of all such companies, practically all of which conduct their affairs properly and some of which offer banking services where otherwise the services are not available."

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In fact, this is practically the only outfit that has anything that is outside of banking, such as affiliated interests, and the only one that has gone out and acquired banks that the Banking Authorities objected to being put in as a part of the setup.

You will be interested in his recent political activity. He sent this card, the initial non-Partisian Committee for Dewey and Bricker. This is what it says. "The New Dealers repudiated their 1940 pledge to continue State regulation of insurance. They subsequently attempted to invade the field of insurance. They omitted the traditional insurance planning of the Demoractic Party in the 1944 platform, all of which leads to one conclusion. For example, nine New Dealers plan to take over the insurance business as a stockholder of Transamerica Corporation, which holds all of the capital stock of our companies. You have a vital interest in the outcome of this election." Here are the three insurance companies, Occidental, Pacific, and Premier.

H.M.JR: May I interrupt you?

MR. ECCLES: Yes, I just want to give you the--

H.M.JR: I know you are in a row with them.

MR. ECCLES: No, no!

H.M.JR: I understood you were with Transamerica.

MR. ECCLES: No row at all, except I am pointing here--

H.M.JR: This is nothing new. It just brings--

MR. ECCLES: It isn't anything new. We have just got to the point here, it seems to me, that I would like to know whether Congress passed any legislation. I would like to have Spence put this bill in the hopper, and whether they do anything about it, it is their responsibility.

H.M.JR: Where does SEC stand today on their suit with Transamerica?

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MR. ECCLES: Their suit was nothing more than to delist the stock. They just block them. The only way you can deal with this outfit--

MR. BELL: They haven't done very much.

MR. DELANO: It is still hanging.

MR. ECCLES: They haven't paid any attention to it. The only effective thing is this bill which would absolutely make them.

H.M.JR: What does your bill propose?

MR. ECCLES: It proposes first that they will dispose of those--

H.M.JR: Excuse me. You can't direct it at one company.

MR. ECCLES: If it fits, it is directed to all companies. It's a bank holding company bill. It will require the disposition of the stock of any bank that any holding company has acquired since 1940 or 1941, some period like that. In other words, it isn't much. It is banks that are not incorporated in their setup and that they have gone out and acquired when they wouldn't be permitted to make branches of these. For instance, the Comptrollers have turned them down. Where they get a State Charter we don't know. We turn them down, and refuse to give them membership, so it's a question of liquidating those banks.

MR. DELANO: You are aiming at Citizens?

MR. BELL: The whole thing is aimed at the Bank of America. It doesn't apply to others.

MR. ECCLES: It would apply in this way, that is, the liquidation. Now, insofar as any of the companies holding stock in companies that have no relationship to banking and credit, see, are given five years in which to dispose of it. For instance, all of this miscellaneous stuff, he mixes credit up here, and which is dangerous--he's got to liquidate it.

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H.M.JR: Is this stuff owned by Transamerica?

MR. ECCLES: Transamerica.

MR. BELL: Transamerica is the holding company?

MR. ECCLES: They control the bank and own this stuff too, so they can operate and not let the right hand know what the left hand is doing. If one company got in difficulty, they can use credit to take care of it, or if it goes broke, it affects the whole banking structure. It is bad to mix up miscellaneous, industrial, and all sorts of activities with the banking setup.

MR. BELL: They probably control the Bank of America and Transamerica through interlocking directors, more than they do the stock holdings, don't they, and Transamerica owns about twenty percent?

MR. ECCLES: It is like policy holders controlling Mutual Life Insurance Company.

MR. DENALO: A psychological control.

MR. ECCLES: We go further than that. We stop any acquisition of any stock, any bank stock, by any holding company. In other words, it absolutely freezes completely the situation, and I think we could get that without an organized opposition by the other holding companies. They won't like it, I know that, but at the same time I am sure they would know it was aimed largely at Transamerica without saying so. It is one of those cases where if a boot fits, they wear it.

H.M.JR: What's the matter?

MR. BELL: I am a little scared of going to the Hill and pointing out one company.

MR. ECCLES: You don't.

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MR. BELL: The fact is that you don't present a reply to any other bank than the Bank of America and the Transamerica group.

MR. DELANO: May I interrupt, Marriner? Is this the same bill which--

MR. BELL: You brought it over and we had informal conversation about, and three or four drafts. The last draft we saw was the June draft.

MR. ECCLES: Nothing has been done since.

H.M.JR: May I say just this: I would like these people here. Let them have a day or two, it doesn't make any difference.

MR. ECCLES: No, of course not, but they are familiar with this bill.

H.M.JR: Mr. O'Connell has been over this bill.

MR. BELL: Tietjens has been studying it.

H.M.JR: I would like to have a little talk with them, as to the principle. Hell, I have been opposed to having any bank anywhere doing anything but a straight banking business!

MR. ECCLES: That's right.

H.M.JR: And here I go up on the Hill and they asked me four times whether I was in favor of bank loans. I want you to know I haven't changed one iota.

MR. ECCLES: Neither have we. Of course, they fixed the Bank of America up. They had some trouble three or four years ago. They got some preferred stock.

H.M.JR: What they are implying is that we won't give them any more charters.

MR. ECCLES: They are going to go around it with this mechanism.

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H.M.JR: I would like a day or two to talk it over with these people, but certainly not more than a day or two. As to the principle, I am wholly in sympathy with you, Marriner.

MR. ECCLES: This fellow is going to be a political and economic menace. He is now.

H.M.JR: If we do nothing else, we will let the American people know about it through the introduction of such a bill.

MR. ECCLES: As far as we are concerned, the Comptroller's Office and the Fed, we have said you think you have given us this part to deal with, and my point is, let them know about it.

H.M.JR: How is the Senator from California?

MR. BELL: Downey?

H.M.JR: How would he be?

MR. ECCLES: Downey is scared to death of his power, so is what's his name? I think Downey would hate like the dickens to go out and fight against AP for what it would do. He would like to be neutral. He would hate to go out and defend him in the face of this record, but I think that Downey doesn't like the possibility of this power being so great that he is under the thumb of AP. If he would tell us honestly, I am sure he would say Downey would like to have something done, but he wouldn't dare to.

H.M.JR: With Jesse out of the picture he won't be out to cut us.

MR. ECCLES: He would do it. Let me give you another story. AP called yesterday. The minute this stuff got in--

H.M.JR: What stuff?

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MR. ECCLES: About Jesse going out-- he called Jesse and offered Jesse the Head of the whole setup, see, offered him the head of the whole setup?

H.M.JR: What position would that be?

MR. ECCLES: Chairman, or whatever he wants. As far as that is concerned, the Head of Transamerica, the Head of the bank. In other words, he offered him the whole works. Just you come out--they won't get along thirty days.

H.M.JR: Do you know it as a fact?

MR. ECCLES: All I know is what I was told by somebody who is extremely close to the RFC. I couldn't prove it, but I was told.

H.M.JR: It wouldn't surprise me.

MR. ECCLES: As a matter of fact, I would be surprised if it didn't happen.

H.M.JR: What about Crowley?

MR. ECCLES: Leo was for this. Leo was very much for this. Since we had that little difficulty on the Brown-Maybank Bill where FDIC wanted these banks to absorb exchange, you know the exchange issue, and clip checks, and so forth.

MR. BELL: He is against everything now, isn't he?

H.M.JR: Are you going to speak to him?

MR. ECCLES: I will talk to him, sure. I don't know how Leo could go and oppose it in view of his record. Leo has been one of the most adamant and ardent opponents. You remember Leo was one of the first ones that brought in that thing because of danger to FDIC, and when Jeffery was here--

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H.M.JR: He started all that. Fifty percent of the assets. Eight hundred million dollars insured.

MR. BELL: Out of one billion three.

H.M.JR: Something like that.

MR. DELANO: A large percentage.

H.M.JR: Fifty percent.

MR. BELL: It would have broken FDIC right away.

H.M.JR: He really started the whole thing.

MR. ECCLES: Leo has been very favorable to the whole thing. The only question is I don't know--they were pretty sore because we knocked out the Brown-Maybank Bill in the Senate here just before it. I don't think they liked it.

H.M.JR: Marriner, give me a day or two, but as to the principle, I am wholly with you, see? But I want a chance just to, I mean, the contents of the bill--I would like a little time.

MR. ECCLES: We don't want to push the bill after it gets in nicely. It's just a question of saying to Spence and these people, "Well, now, here it is and it is on your lap."

H.M.JR: Give me a couple of days.

MR. BELL: Can't it be simplified in a short bill? That bill is so damned technical.

H.M.JR: I wouldn't make it so obvious, by 1940. I would go a little further than that. It is just my opinion.

MR. ECCLES: We would be lucky as the dickens if we get that. Congress is hesitant to make a thing retroactive.

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MR. DELANO: We had a bill, S-310, representing Treasury's position, which was introduced up there.

MR. BELL: In 1941.

MR. DELANO: In 1941. That was a death sentence. The real difference of opinion here, Marriner, is the question between Treasury and the death sentence.

MR. ECCLES: You couldn't get a death sentence bill through, and it would create a hell of an opposition! My point is to get this thing through, and if you need that, to get that afterward. You can't make two bills out of this.

H.M.JR: If it is just going to be a gesture, let's make it a good gesture.

MR. ECCLES: This takes care of it, but if you don't do it--

H.M.JR: I told you I am with it in principle, but I do want a little chance to discuss it with our own people.

MR. ECCLES: Sure.

H.M.JR: I am not going to stall you.

MR. BELL: We discussed this in December 1943, and at that time you said you did not want any holding company legislation to be introduced until you had talked to the President. Of course, with the election coming up--

MR. ECCLES: That is out of the way, and this postcard from this fellow--you don't owe him anything now.

H.M.JR: Well, anyway, thank you for coming over, and we will work on it.

MR. ECCLES: O.K.

(Mr. Eccles leaves conference.)

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H.M.JR: You people study the thing. I want to go along with it.

MR. DELANO: It is twenty-six pages, and would take a Philadelphia lawyer--

H.M.JR: Let's get something simpler.

MR. DELANO: It cuts off some of your powers here and throws them down there.

H.M.JR: I don't know. You see in another day or so we have--

MR. BELL: I think the principle is all right. If he puts in a twenty-six pages bill, it opens up the whole banking system for discussion before the Committee, including probably the supervisory agencies. He may want you--

MR. DELANO: He quoted the President's recommendation to Congress on that they didn't carry it through to the point the President said. He left that part out.

H.M.JR: We will have a little talk. You see that I do, please?

MR. BELL: Surely.

H.M.JR: He only left the memo.

MR. DELANO: We have the June one.

MR. LYNCH: We have copies of that. He said it was the same draft.

H.M.JR: O.K. I felt like saying to Marriner, "I wish you had been more excited about this five years ago."

MR. DELANO: When we put in S-310, they opposed that all over the place.

H.M.JR: If we had gotten more support in the earlier days, this wouldn't exist today.

MR. DELANO: That's right.

January 30, 1945
3:34 p.m.

HMJr: Hello.

Justice
Frankfurter: Henry.

HMJr: Speaking.

F: Felix.

HMJr: Yes.

F: Have you heard from Senator Meade?

HMJr: No.

F: Well, evidently somebody thought you had, or will, but evidently there's some anti-Semitic skull-duggery going on. I'm at home. I'm still down with this damned laryngitis.

HMJr: Oh.

F: But my office just phoned me that Senator Meade's counsel -- a fellow named Connally -- I don't know who he is

HMJr: Yeah.

F: phoned to say -- have you got a minute?

HMJr: Oh, yes.

F: Phoned to say that at the secret -- as an executive meeting of the Meade Committee -- the old Truman Committee -- today, somebody, some engineer testified that he saw some letters of introduction from Secretary Morgenthau and Justice Frankfurter to somebody named Abram Goldberg and the whole thing -- Meade send word to me, he thought I ought to know.

HMJr: Abram Goldberg?

F: Abram Goldberg.

HMJr: I never heard of him.

F: What?

HMJr: I never heard of him.

F: Well, ditto here. That's why I thought I'd call you. It must be some anti-Semitic skull-duggery; and they said that -- well, Meade sent word that he wanted me to know this because tomorrow the testimony will be published.

HMJr: I -- I -- I'm supposed to have given this man a letter of introduction?

F: You and I.

HMJr: No.

F: You and I.

HMJr: Abram Goldberg?

F: Abram Goldberg. It evidently has something to do with war contracts or what-not.

HMJr: No.

F: But evidently it's some -- as I say -- some anti-Semitic stuff. I have put in a call for Meade, who is still at the session. I was wondering if anybody on your behalf had word about him. -- Henry.

HMJr: Yeah.

F: I suggest that in view of that marvelous executive system of yours, you get somebody to look up at once any -- in your files -- whether there are any letters from you personally to a man named Goldberg. I know there are not, but so that you can definitively deny it.

HMJr: I'll do it right away.

F: It's supposed to be -- there were very indefinite. They -- this is evidently a kindness that they revealed what took place in an executive session.

HMJr: Abram Goldberg?

F: What?

HMJr: I never heard of him.

F: Well, ditto here. That's why I thought I'd call you. It must be some anti-Semitic skull-duggery; and they said that -- well, Meade sent word that he wanted me to know this because tomorrow the testimony will be published.

HMJr: I -- I -- I'm supposed to have given this man a letter of introduction?

F: You and I.

HMJr: No.

F: You and I.

HMJr: Abram Goldberg?

F: Abram Goldberg. It evidently has something to do with war contracts or what-not.

HMJr: No.

F: But evidently it's some -- as I say -- some anti-Semitic stuff. I have put in a call for Meade, who is still at the session. I was wondering if anybody on your behalf had word about him. -- Henry.

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F: I suggest that in view of that marvelous executive system of yours, you get somebody to look up at once any -- in your files -- whether there are any letters from you personally to a man named Goldberg. I know there are not, but so that you can definitely deny it.

HMJr: I'll do it right away.

F: It's supposed to be -- there were very indefinite. They -- this is evidently a kindness that they revealed what took place in an executive session.

HMJr: Abram Goldberg?

F: Abram Goldberg -- supposedly letters of introduction from Secretary Morgenthau and Justice Frankfurter. And this was testified to, not by a man named Goldberg, but by some engineer who said he saw them. See? So it sounds -- it's all very fishy.

HMJr: Yeah.

F: But I thought both of us might as well be prepared because if

HMJr: I'll call our -- I'll send for somebody right away. I'm much obliged.

F: All right, Henry. Henry.

HMJr: Yeah.

F: I want to thank you and congratulate you on your statement on Henry the other day. I thought that was very good.

HMJr: Well, it was spontaneous.

F: Well, I said it was very good. I wouldn't care if you had sat on that egg for two weeks or if it was full-born.

HMJr: No, it was spontaneous.

F: And, Henry.

HMJr: Yes.

F: I was delighted to see the President's letter.

HMJr: That was good.

F: That was good.

HMJr: All right.

F: Good luck to you, Henry.

January 30, 1945
4:23 p.m.

Operator: Mr. Clayton.

HMJr: Hello, Will. Henry Morgenthau talking.

Will
Clayton: Yes.

HMJr: I just thought I'd tell you that somebody has leaked the story on this French Lend-Lease.

C: I heard -- I was told -- I don't know who told me here -- Treasury Department, I guess....

HMJr: Yes.

C: that a man named Twitty, I think it is

HMJr: That's right.

C: had called in and wanted -- tried to get some information but you didn't give it to him.

HMJr: Well, he's got it that -- you know -- that I threw the monkey wrench in.

C: Uh huh.

HMJr: And that they were ready to sign last Tuesday a master lend-lease, which was news to me, but it's too bad we can't work in a room together without somebody leaking.

C: It certainly is. Well, I -- I don't know, Henry, but I imagine that they've got probably a good deal of guess work in it, and then some of the stuff they got from Monnet, I imagine.

HMJr: Yes.

C: Because it's extremely difficult to keep anything from him because he gets around and talks to so many people. He puts this and that together and he gets to know pretty well what's going on.

HMJr: Yeah. Well, anyway

C: That's what they tell me about him.

HMJr: What?

C: I say, that's what they tell me about him.

HMJr: Yes.

C: I don't know him too well. I just met him about a month ago.

HMJr: Well

C: I know that he's extremely active and moving around all the time.

HMJr: Okay.

C: Well, I'm -- I'm very sorry that

HMJr: I am too.

C: this happened but I -- I feel pretty sure that it didn't come out of here, except, of course, just in talking with Monnet, why, he might have got this or that impression and then put two and two together, and has talked to this fellow. I imagine that's the way it happened.

HMJr: Let me ask you a question.

C: Yes.

HMJr: Were you people ready last Tuesday to sign a master agreement?

C: I think that we -- I think that we probably were. That was the -- we had the agreement all ready and that was -- that was what we thought ought to be done.

HMJr: Yes.

C: That we'd sign a master agreement with them and then work out the details of the implementation of it as to what they would get and how.

HMJr: Well, he had that part of it.

C: Well, Monnet -- Monnet, I'm sure, knew that there was under consideration the signing of a master agreement.

HMJr: Yeah.

C: Because he talked with Harry Hopkins. I'll tell you this much that I -- that I know.

HMJr: Yes.

C: He and Harry were talking together because there was a question about Monnet going back with Harry.

HMJr: Oh, yes.

C: And they were pushing me like everything -- not Harry, but Monnet was, and I talked with Harry and he wanted to know if I thought Monnet would get away, and I said -- that was by Wednesday, this last Wednesday....

HMJr: Oh, yes.

C: a week ago -- and I said I didn't see any reason why he couldn't because we had the -- had the agreement ready.

HMJr: Yes.

C: And I thought that we had a green light on it.

HMJr: Yes.

C: Now, from things of that kind, why, these fellows might have pieced things together and did a little smart guessing and you get this story.

HMJr: Well, for whatever it is, the fat's in the fire.

C: Well, I'm sorry.

HMJr: Okay.

C: Bye.

HMJr: Bye.

January 30, 1945
5:13 p.m.

HMJr: Hello.

Operator: Mr. Wallace.

HMJr: Hello.

Henry A.
Wallace: Hello, Henry.

HMJr: How are you?

W: I just wanted to express my very deep gratitude for the splendid statement that you made the other day....

HMJr: Oh. Well, that's nice of you.

W: and to inquire if -- when you'd like to -- if you'd like to start walking again.

HMJr: I'd love to. I'm at the Shoreham. Remember the corner you used to meet me at twelve years ago?

W: (Laughs) Yes, sir.

HMJr: Well, do you want to meet me there about a quarter of nine? As I remember, we used to meet there at Connecticut Avenue, didn't we?

W: Yes. Well, all right. I'll tell you what you do, when you

HMJr: Yes.

W: When you get ready to start, why, you just phone Adams 4222 and I'll leave at once and that will enable us to meet there just a little to the west of the corner where -- there's quite a crowd there gathered on the corner.

W: Oh, I see.

HMJr: Adams 4222. Sure. Lots has happened but I don't know -- you'll have to bring me up to date because I know that Rosenman has been doing a lot.

W: Yeah.

- 2 -

HMJr: And just what he's been doing, I don't know.

W: He hasn't -- apparently hasn't had any reply yet from

HMJr: I sent the President a cable, wholly on my own.

W: Yeah.

HMJr: And which I'll tell you about tomorrow. I sent mine before Rosenman sent his.

W: Yeah.

HMJr: There's been no answer but I think you're gaining. At least that's the way I feel.

W: Yes, I think so.

HMJr: Well, I'd love to hear what's going on.

W: All right.

HMJr: Thank you.

W: Fine, Henry.

January 30, 1945

MEMORANDUM FOR THE FILES

On Wednesday, January 24, the Secretary had a luncheon meeting with the Washington group of the American Delegation on Bretton Woods. Those present were Secretary Morgenthau, Senator Tobey, Congressmen Spence and Wolcott, Marriner Eccles, Leo Crowley, Judge Vinson, Dean Acheson, Herbert Gaston, Harry White, Joe O'Connell and Luxford.

The Secretary explained that there were some differences between the State and Treasury Departments regarding the form of the Bretton Woods legislation and that he was anxious to get the reaction of our Delegation to the various proposals. The Treasury representatives then explained the reasons they preferred a bill expressly authorizing the President to accept membership in the Fund and Bank.

Dean Acheson in turn explained why State preferred legislation that would merely declare it to be the policy of the United States to enter the Fund and the Bank together with the necessary enabling provisions. The Secretary then attempted to get the views of the various Delegates on this issue. For the most part, the Delegation failed to grasp the nature of the difference between the State and Treasury proposals and their opinions reflected this failure. It was ultimately suggested by Mr. Crowley that both alternatives should be considered by the Congressional Committees involved and that they should make the determination. It was later suggested that perhaps the legislative counsel for the House and Senate might be able to furnish us some guidance on the point. The matter was left that we would present both drafts to the two Committees who in turn would raise them with their respective legislative counsels.

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Marriner Eccles stated that he was somewhat unfamiliar with the other provisions of the two drafts and that he had some definite views on the question of establishing a Board to formulate American policy vis-a-vis the Fund and the Bank. Mr. White explained to Mr. Eccles that we had spent the morning discussing the legislation with representatives of the Board of Governors and that we had told them that they would have an opportunity to express their views on the subject of a Board at an appropriate point when the legislation was being considered by the Congressional Committees.

The Secretary raised the question as to whether it would be more desirable to initiate the hearings on the legislation in the House or Senate. There seemed to be no definite views on this subject, although Congressman Wolcott suggested that if the Senate were to consider the legislation first, it would probably resolve one way or another the treaty issue and this would facilitate the consideration of the legislation by the House which was less concerned with the treaty issue.

All the members of the Delegation were extremely cooperative and displayed a genuine interest in seeing the legislation adopted.

WJ

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MEMORANDUM

January 31, 1945.

On January 30, 1945 there was a meeting on the Bretton Woods legislation at the Federal Reserve Board. Present were Messrs. Eccles, Szymczak, Morrill, Vest, and Goldenweiser of the Federal Reserve Board, Mr. Ferguson of the State Department, and Messrs. White, Luxford, and Brenner of the Treasury Department.

The question of whether the legislation should provide for the establishment of a board or council to carry out the functions of the United States in connection with the Fund and the Bank was discussed at some length. Mr. Eccles stated the position of the Federal Reserve Board to be that such a board or council was essential; that it should consist of the Secretaries of State and Treasury, the Chairman of the Board of Governors of the Federal Reserve System, and two other agency heads to be appointed by the President. It was pointed out to Mr. Eccles that both the State and Treasury Departments feel strongly that it would be a mistake to put this provision in the legislation. Nevertheless, Mr. Eccles concluded that when he testifies before the Congressional Committees he will suggest such a board or council as an alternative to the provisions contained in the draft legislation agreed upon by the State and Treasury Departments.

It was agreed that the section on depositories would be modified to meet the suggestions of the Federal Reserve Board. The new section will require the Federal Reserve banks to act as depositories and they will act under the direction and regulations of the Board of Governors.

The Board suggested that in connection with the limitation placed upon the amount of non-interest bearing notes which may be issued, separate limitations be provided for notes issued to the Fund and notes issued to the Bank instead of a lump sum limitation for the two institutions together. It was felt that this would be unwise in view of the fact that it might lead Congress to treat the Fund and Bank separately in all the provisions of the legislation and, in effect, to pass upon the two institutions separately rather than together.

In connection with the financing of the subscriptions it was pointed out to the Federal Reserve Board people that there would be offered to the Chairmen of the Congressional Committees an alternate provision authorizing an RFC type of financing instead of an appropriation. Mr. Eccles agreed that this would be a satisfactory procedure.

The Federal Reserve Board was somewhat troubled about the fact that returned portions of the subscriptions of the United States would be credited to the Stabilization Fund. They suggested that such repayments go into miscellaneous receipts and that we make the Stabilization Fund permanent. This suggestion was accepted.

RA

January 30, 1945

MEMORANDUM FOR THE FILES

(For the Secretary's Information)

When I spoke to Mr. Crowe, President of the Detroit Economic Club last week, he indicated that they customarily have about forty-five minutes of discussion at the end of their lunch and inquired whether the Secretary would want to speak that long. I informed him that usually the Secretary preferred to speak about half that long. He then suggested that perhaps Congressman Wolcott could also talk. I told him that this sounded like a good idea and he suggested that I speak to Wolcott.

I spoke to Congressman Wolcott today and he said that he would be very happy to accommodate himself to whatever the Secretary would like. I advised him that I thought we could plan in terms of the Secretary making a twenty to twenty-five minute statement. He said this was agreeable to him. I told him that if he needed any help on the matter of preparing his speech we would be very glad to furnish him with reference materials and any other assistance he wanted. He thanked me and said that he would call on us if he did need some help.

Congressman Wolcott also asked to see a copy of the Secretary's speech as soon as one was available because he would not want to cover the same ground as the Secretary had covered and he would adjust his remarks so they would synchronize with those made by the Secretary. I told him we would furnish him with a copy of the Secretary's speech as soon as it was in draft form.

AWK

Copies sent to the following:

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Q

Mr. White
Mr. Luxford
Mr. Gamble
Lt. David Levy
Mr. Alan Barth

2/2/45

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Congress of Industrial Organizations



718 Jackson Place, N. W. • Washington 6, D. C.

January 30, 1945

Office of
LEN De CAUX
Publicity Director

EXecutive 5581

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

Dear Mr. Secretary:

This is to thank you for your most effective participation in our "Labor-U.S.A." program last Saturday, on the Blue Network. The listener reaction we have received was excellent. I also want to express my appreciation for your very kind letter of January 29, and I am very pleased that you liked the program.

I am enclosing herewith some clippings from THE CIO NEWS, which will indicate some other ways in which we are trying to create popular interest in the importance of the Bretton Woods Agreement.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Len DeCaux", written in a cursive style.

Len DeCaux
Publicity Director

uopwa 167

5,000,000 Jobs for U. S. In Postwar World Trade

How Bretton Woods Provides A Key To World Prosperity

BY C. W. FOWLER

JOBS FOR 5,000,000 American workers from foreign trade are in sight—when Congress passes a law ratifying an agreement made in a little New Hampshire resort town in the summer of 1944.

The agreement, which went under a long official title, "United Nations Monetary and Financial Conference," was signed by the U. S. and by 43 other countries. It aims to do four basic things:

1. Guarantee jobs and prosperity for all countries through free international trade.
2. Prevent financial and economic aggression of the kind that helped Germany and Japan prepare for this war.
3. Make impossible for financial interests in this and other countries to help foreign aggressors, the way Germany and Japan were helped before this war.
4. Raise the standard of living in "backward" countries to the point where they can buy the things we make.

Jobs First

First, the question of jobs for American workers. President Roosevelt and CIO President Murray have set the goal at 60,000,000 jobs to keep America secure and prosperous after the war.

A big slice of these jobs must come from foreign trade. As President Murray has pointed out in his "CIO Re-Employment Plan":

"The continued prosperity of Americans is directly tied to the prosperity of people of all other nations. In addition to a domestic program for full production in the U. S., there must be a vigorous, long-term program of international commerce."

Now, foreign trade doesn't just happen. People in other countries have to want something more than just the desire for American goods. They have to have money to buy them with.

In the days before the war, people who wanted to buy goods from other countries got the money only when and if private banking interests were pleased to let them have it.

Remember the 30's?

THOSE WHO remember the '30's will recall how some countries deliberately drove down the value of their own money in order to undercut other countries on exports. The other countries then, of course, tried the same thing. This destroyed world trade. And with that destruction of world trade came, also in the '30's, the most terrible depression in history and the preparation for World War II.

The only countries that profited out of this world trade chaos were the fascist countries preparing for war. They used their superior economic strength to force weaker countries to give them valuable raw materials in exchange for worthless goods. This was done by the Nazis, who paid for imports in "blocked marks," spendable only in Germany. For these

blocked marks the exporting country usually got nothing better than harmonicas or aspirin.

How It Works

Foreign trade is a two way street. To sell goods to a country, you have to buy things in return. One country cannot expect to go indefinitely selling to its neighbors unless its neighbors can sell to it.

For steady payment you need steady currencies. A U. S. exporter must be sure of getting his price for his exports in dollars. A Frenchman buying U. S. goods must be sure of a steady price when he pays for them in francs. If the rate of exchange—that is, the number of francs it takes to equal a U. S. dollar, changes sharply against the franc, the deal is off because it will take many more francs to buy the same amount of U. S. goods.

Neither the U. S. exporter nor his European customer control the rate of exchange. All they know is that suddenly the cost of the U. S. product to the European customer has been jerked up—and the customer for U. S. goods is jerked away.

All the U. S. exporter can do is to try to cut his price, which usually means an attempt at a wage cut, or stop exporting, which means layoffs.

The Fund

THIS is where the International Monetary Fund proposed at Bretton Woods comes in. Countries whose currencies may be threatened with a deep cut in exchange value can come to the Fund and borrow either gold, or dollars, or some other exchange medium, to restore their own currency to health.

Thus they will not be forced to drive their own currencies down in order to stimulate exports and cut down on imports. Weaker countries will be protected against the "harmonicas and aspirin" kind of deal that helped Germany arm for World War II.

The Bank

But stable currencies are not enough. Countries wasted by war and undeveloped countries will need loans to rebuild and to develop. They will need money to help them get started on buying American products.

This is where the Bank for International Reconstruction and Development proposed at Bretton Woods comes in. Long-term loans will be guaranteed by the Bank, after investigation to make sure the borrowing country plans to use the money in a productive way and therefore will be able to repay the loan.

Control of these loans will not be with one banker or with a group of bankers. Control will be with the United Nations—which will see to it that loans do not mean exploitation and imperialism as they used to mean.

Profit for All

As U. S. Treasury Secretary Morgenthau has said of Bretton Woods, loans will be made:



POSTWAR JOBS by the millions are tied up in U. S. shipping, which either can lay idle as it did after the last war or be put to work under a plan that will aid the international exchange of goods. Bretton Woods is the answer.

"... to promote sound industry and increase industrial and agricultural production in nations whose economic potentialities have not yet been developed."

Our hope for 5,000,000 jobs through foreign trade lies in the industrialization of nations and continents such as China, Africa, Latin-America, India, and a big expansion of industry in the Soviet Union.

This means profit for all. We do not have to be afraid of competition from these countries. On the contrary, the more they are built up, the more they can buy from us. Canada is a highly industrialized country and has always been one of our best customers.

In a peaceful and stable world, made possible by the Bretton Woods kind of planning, the fact that millions of people have well paid jobs in other countries will mean millions of well paid jobs for us.

What's It Cost?

WHAT is the cost of Bretton Woods? The new Bank and the new Fund will of course take money to set up and run. It will be a pretty big investment to start with—\$10 billion for the Bank and \$2.5 billion for the Fund.

The U. S. share of this investment in world stability will be \$3.2 billion for the Bank and \$2.8 billion for the Fund. The U. S. is the world's richest country, and will have the largest say in controlling both Bank and Fund.

This money is invested, not spent. Countries that borrow from both the Bank and the Fund will repay the loans. The fact that loans will be made only for productive purposes is the guarantee of that.

Who's Against It?

You might think that there would be no opposition to such a sound and sensible plan as Bretton Woods. At the time the agreement was worked out in the summer of 1944, there was very little—and it wasn't vocal.

Only a handful of diehard Republicans, led by Senator Taft in Congress, opposed Bretton Woods then. Taft's criticism was the false one that it would cost U. S. taxpayers a lot of money. He ignored the fact that our share of the total—\$6 billion—is an investment, not an expenditure.

But since the agreement was signed a small section of big bankers in this country and in England has decided to oppose Bretton Woods. Not so publicly, of course, but the decision has been made to fight it.

This decision based on a professed fear that Bretton Woods will wipe out private banking. This is not so, since banks will continue to make loans—supervised by the Bank for Reconstruction and Development.

THE real reason behind this minority opposition is a hankering for the "good old days" of uncontrolled currency manipulation, uncontrolled lending, and speculative profits for the few.

The big banks didn't lose anything when countries such as Germany defaulted on loans. That loss was taken by the suckers who bought German bonds from the banks. In the same way, a handful of banks made big profits on loans to "backward" countries that were used not for production but solely for the purpose of extracting high interest rates.

Up to Congress

The Bretton Woods agreement is now up to Congress, which will have to pass a law authorizing the U. S. to join in the Bank and the Fund and appropriating the money for the original investment.

Congress thus has to decide whether or not we will have those 5,000,000 jobs in foreign trade. A bill to do this is being prepared, will be offered early in 1945.

Start writing your Congressman and your two Senators now. Urge them to make Bretton Woods a reality by voting the full amount needed from the U. S. to start it working. Urge them to reject limiting or crippling amendments.

Five million jobs isn't hay!

The CIO NEWS

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Of the Congress of Industrial Organizations

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National Edition

No-Strike Pledge Is Vital To War, Murray Tells Auto Workers

(See Page 12)

Thomas Victory Blow To South's Anti-Labor Laws

Texas came back into the Union this week, via the U. S. Supreme Court. The Court, in a 5 to 4 decision, held that Pres. R. J. Thomas of the CIO United Auto Workers Union could solicit union members in Texas without taking out a license.

Reversing a lower court decision which OKed a three-day jail sentence and a \$100 fine for the CIO Vice President, the highest court in the land said that the Texas law requiring labor organizers to register before they start "heating their gums" is a violation of the Constitutional right of free speech and free assembly. Thomas had been arrested after making speech at a CIO Oil Workers rally without having registered.

ANTI-LABOR LAWS

The decision was hailed by CIO Pres. Philip Murray and by Thomas as a decided setback for the anti-labor Christian American Assn., which supported the Texas law and other legislation designed to encircle and annihilate the labor movement south of Mason Dixon. Said Murray:

"The decision, in emphasizing the values for which this war is being fought, should be hailed by good citizens everywhere. In announcing that freedom has no geographical frontier, and that the rights of labor and working people have equal constitutional standing with those of other citizens, the Court's opinion serves the national interest in an important way."

Thomas declared that the de-



R. J. THOMAS

cision will serve as a warning to other states which contemplate similar legislation, and added that "the UAW-CIO has been pressing this case vigorously because it involved a fundamental principle, the right of labor to exercise its constitutional freedom."

CIO General Counsel Leo Pressman pointed out that the Court rejected the view that solicitation of individuals to join a union is a business practice such as selling real estate or toothpaste. Pressman said that the decision also was important because it stressed the constitutional right of peaceful assembly, a right that rarely has been emphasized by the Court.

The decision came shortly after the Southern Patriot, publication of the Southern Conference for Human Welfare, warned that fascist-minded forces are plotting to railroad anti-union laws through the eight Southern state legislatures which will meet during 1945.

"The spearhead of these groups is an organization flaunting false colors and faking patriotism, ironically named the Christian American," states the Southern Patriot, which devotes its current issue to exposing this conspiracy and its national connections.

"The organization, neither 'Christian' nor 'American', has from its beginning in Texas in 1936, fought every Roosevelt measure," reports the paper. "Lately it has concentrated its attack, through the press and state assembly halls, on labor."

Its anti-union measures are disguised as "anti-violence-in-strikes" laws and "right-to-work" amendments to state and Federal constitutions; would ban the union shop and repeal the Wagner Labor Relations Act.

"Should Christian American plans succeed," warns Southern Patriot, "the general public will be the loser as much as labor, because lower wages and working

(Continued on Page 3)

'Equal' Rights— Neither Equal Nor Right!

(See Pages 3-7)

CIO Union Show

(Pictures, Story on Page 5)



TRADE—FOR JOBS & SECURITY IN THE POSTWAR WORLD

5 The CIO NEWS, August 14, 1944

Bretton Woods: Key to Postwar Trade Expansion

By C. W. FOWLER

Jobs for five million Americans a year from exports will be a postwar reality—if plans worked out at a meeting in a little New Hampshire resort town are carried out by the U. S. Congress and by the parliaments of 43 other nations represented at the meeting.

The meeting went under a long official name—"United Nations Monetary and Financial Conference"—shortened in the press to the name of the town where it took place, Bretton Woods.

Behind the long official name lies an attempt on the part of the anti-Axis nations to make sure of two things for the future peace of the world: (1) jobs and prosperity based on expanded world trade, and (2) prevention of imperialism and the fascist economic preparation that preceded World War II.

Need Postwar Jobs For 40,000,000

Let's look at the jobs angle first. The "margin of production" created by American union workers to meet war needs has enormously expanded the productive power of American industry. For postwar prosperity and stability, we will need to find jobs for a working force of some 40,000,000 or more men and women. These jobs can't be found unless we expand our export trade far beyond the highest point it reached in 1929.

Europe and the rest of the world need our goods. It can't buy them unless it has the purchasing power and the financial and political stability to do so. Bretton Woods laid the foundations to make this possible, by laying out the plans for full and unfettered world trade.

Control and Stability For All Currencies

How was this done? To begin with, the Bretton Woods conference laid the basis for the control and permanent

stabilization of world currencies. Foreign exchange will no longer be at the mercy of selfish financial or reactionary political interests. It will be controlled by all the United Nations, through the "International Fund" and the "Bank for International Reconstruction and Development" set up at the conference.

Those who remember the '30's will



recall how countries deliberately drove down the value of their own money in order to gain an illusory advantage in world trade by being able to undercut prices. In the end, of course, their own workers paid the cost in debasement of living standards at home.

Remember Hoover and World Depression?

Those who remember Herbert Hoover and the long world depression will also recall how the private bankers of wealthy countries used loans to enforce their will on less powerful nations.

Nazi Germany, for example, forced unwanted goods or "blocked marks" on smaller nations in return for the raw materials the Nazis were stockpiling for war. The threat of holding up credit has been used in the past



to compel a change in the political complexion of nations needing loans—as was done during the Popular Front days in France and earlier in Spain.

The currency manipulation of the '30's resulted in the complete destruction of world trade, reducing what was left of it to a primitive system of barter. Each nation sought to outdo the other in debasing its money, with the result that none profited, except the fascist powers that were planning and preparing for war.

Stable world currencies, backed by a world bank ultimately controlled by the governments and peoples of the United Nations, will remove this strangling effect on trade and will substitute freedom and security for fear and oppression.

Long Term Loans for World Industrialization

But the world will need more than stable currencies to buy our goods and keep 3,000,000 of our workers on the job. It will need long-term loans at fair interest rates. Nazi destruction and the heroic scorched earth policy of our Allies mean not only a tremendous need for American goods but an equally pressing need for help in buying them.

Here again the "Bank for International Reconstruction and Development" comes in. Long-term loans will be guaranteed by the Bank with security both for the lender and the



borrower. Control of the loans will be not with one banker or a crowd of bankers, but with the United Nations—which will see to it that loans do not mean imperialism and oppression.

Loans will be guaranteed not only for reconstructing a devastated country. They will be made, as Henry J. Morgenthau, U. S. Secretary of the Treasury and head of the U. S. delegation at Bretton Woods, said:

"... also to promote sound industry and increase industrial and agricultural production in nations whose economic potentialities have not yet been developed. It is essential to us all that these nations play their full part in the exchange of goods throughout the world."

One hope for full employment in the U. S. lies in the industrialization of non-industrial areas such as China, Latin America, and a big expansion of industrialization in the Soviet Union. American workers making machine tools, for example, can be kept busy at present and greater levels for years, simply supplying these nations.

Need Not Fear Competition to U.S.

We do not have to fear competition from such nations. In a peaceful and stable world, made possible by the kind of economic and financial cooperation outlined at Bretton Woods, the fact that millions of industrial workers have well-paid, year-round jobs in other countries will mean more year-round jobs in our country.

The welfare of American workers and of our returning war veterans is at stake in the success or failure of the Bretton Woods plan. As Secretary Morgenthau said:

"The results will be of vital importance to everyone in every country. In the last analysis, it will help determine whether or not people will have jobs and the amount of money they are to find in their weekly pay envelope."

The Veteran's Stake In Export Jobs

"More important still, it concerns the kind of world in which our children are to grow to maturity. It concerns the opportunities which will await millions of young men whom at last they can take off their uniforms and can come home to civilian jobs."

What will all this cost the American taxpayer? Will it saddle us with more and more debt, all for the benefit of a bunch of foreigners, as Senator Taft (R., O.) and Westbrook Pegler put it?

Actually, it will cost the American taxpayers no more than the original investment in the Bank and in the Fund—a total of \$5.9 billions. This money is invested, not expended. It is our share, as one of the United Nations in the whole enterprise. Other nations share also, in proportion to their wealth.

If we don't have world trade and stability after the war, the cost to the American people and to the taxpayers will be infinitely greater. It will be the cost of millions of lost jobs, of relief, a return to the mass misery that went with the Hoover administration.

Action on Plan Up to Congress

The groundwork for a great expansion of world trade has been laid. It is now up to Congress to pass bills authorizing the U. S. to take its place in the new world economic setup, and appropriating the money for the original investment.

Conceived and carried out by the FDR Administration, Bretton Woods meets with the approval of the United Nations and of American labor and industry. What do the Republicans have to say on the subject?

Two who attended as U. S. delegates—Sen. Tobey of N. H. and Rep. Wolcott of Michigan—went along with the conference, raising no objections. That was left to Taft, who tried to blast it as a burden on the taxpayers. Dewey, as usual, has said nothing—despite the five million jobs at stake.

Republican strategy seems to be to lie low, except for the more irresponsible reactionaries like Taft, in the hope that Congress won't act until after the election.

After all, a plan that makes five million jobs in export trades a postwar reality would be a powerful argument for the re-election of the man whose leadership made it possible—President Franklin D. Roosevelt.



KNOW HOW: Kids eat lunch while their mothers discuss child care problem at United Federal Workers, CIO, conference in Washington. Know-how on food and unity is demonstrated by four-year-old David Balen, James Jackson, George Jackson and Ann and Jane Fowler.

FM—Future Voice Of the People?

This is the third of a series of articles on a new development in radio—FM, or Frequency Modulation broadcasting—that offers labor the chance to take its rightful place on the air waves.

Labor unions have been shut out of AM (amplitude modulation) broadcasting because big commercial interests have secured a monopoly on the 500 odd AM stations now operating. Getting in to AM broadcasting is a mighty expensive business, with small stations selling for as much as half a million dollars.

The main feature of FM broadcasting is that it is new enough for labor to get in on the ground floor—if unions act NOW! The need for speed is shown in a quote from a bulletin circulated by FM Broadcasters Inc., which said:

"The first and most important reason for doing it now (filling an application with the Federal Communications Commission for an FM license) is that the most ideal sites for FM transmitter locations are not going to last forever.

"In Los Angeles, for instance,

there are 17 applications for the best site to cover that area. In Chicago, practically every important site already has been leased."

While there is no charge made by the FCC for filing an application, competent authorities estimate that the legal and engineering expenses involved will run somewhere between \$2,000 and \$2,500.

Limited Applications

At least until the end of the war, the FCC is allowing limited applications to be filed, so that the engineering costs might be dispersed with it. If the minimum necessary information could be obtained from an experienced salesman of an FM equipment company—RCA, GE and Radio Engineering Laboratories, Inc. are the main outfits in the field.

Aids from engineering information, FM applicants must show that they are financially capable of operating a station and that they are legally qualified. These are details that would offer no difficulty in any large union.

What would it cost to operate an FM station? FM Broadcasters made an estimate, assuming that the operation is to start from "scratch," for the annual operating cost of a 1,000-watt FM station, broadcasting six hours daily. Here are the figures:

Rent	\$6,000
Station manager	5,000
Announcer	3,000
Stenographer	2,800
Personnel, office supplies	1,000
Operators (3)	8,500
Promotion	2,400
Power and light	1,200
Tube replacements	450
Social Security and Compensation taxes	1,000
Apparatus maintenance	750
Depreciation	8,000
Insurance	350
Taxes	717
Program production	5,000
Transcription service	2,500
News service	3,325
FMSB dues	300
Misc. program material	1,400
Copyright fees	717
Transmitter site rent	717
TOTAL	\$52,585

(To Be Continued)

Parley On Problems

Working Mothers Have Tough Time

WASHINGTON, Aug. 12—While their children played happily under the supervision of the Georgetown Children's House staff, a large group of working mothers met here this week in a day-long session under the sponsorship of the CIO United Federal Workers Union to discuss their common problems and make plans to overcome them.

The need for more government recognition of the plight of the working mother was brought out in the discussion—her need for shorter working hours in order to spend more time with her children in their formative years, and the need for more adequate nursery facilities, transportation to the schools, and better trained nursery school staffs.

The delegates from New York, Baltimore, Philadelphia, and Washington, as well as representatives from several government agencies were addressed by Dr. Arnold Gezell of Yale University, authority on child care, and UPWA Sec.-Treas. Eleanor Nelson.

GENERAL CONCERN

The difficulties of these mothers are not merely their problems but are they merely wartime problems. The turnover of working mothers in Federal service is estimated to be almost 100% a year.

Miss Nelson said that "in the post war economy envisaged by the CIO, there will be plenty of work in industry for the skilled women workers who have been trained during the war."

"The utilization of these skills will be both desired only under enlightened governmental supervision in solving the problems of protecting the American family and the development of the American child."

The conference brought out many of the sacrifices made by working mothers which could be avoided with recognition of and adequate nursery facilities.

WANT SHORTER HOURS

Most of the mothers, all employed by the Federal Government in navy yards, offices, and government factories, felt that a shorter work week would go a long way toward the solution of their problem in giving them more time with their children. Some preferred a

five-day week which would make possible for them to spend Saturday and Sunday with their children, while others wanted part-time work with a shorter week day.

The special hours for mothers working in the War Manpower Commission were cited as an example of what can be done. Through the Mothers Club there, arrangements were made for the WMC working mothers who wish to come to work early and leave early.

Many mothers, however, especially the wives of servicemen, cannot afford a pay cut which comes with shorter hours. A proposal urging higher government allowances for children of servicemen was adopted as a solution to this problem.

It was agreed that working mothers should have an optional shorter work week and that part-time workers should receive sick and annual leave which they do not get now.

SICK CHILDREN

The problem of the sick child was met with a resolution which stated that mothers might use sick leave privileges when a child is sick. At present the time taken in care for a sick child is deducted from annual leave.

Special leave provisions for maternity and confinement cases, including daily rest periods, were urged.

The issue of the federally financed nursery schools were generally blamed on long working hours of the mothers. The reports of the delegates showed that nursery and after school facilities are far from adequate and standards of care are low. Transportation to and from nurseries for children living far from the schools is needed.

NMU Pledges Full Aid to Auxiliary

By ELEANOR FOWLER

Secretary-Treasurer, CIO Nurses Auxiliaries

Joe Curran's speech at the third NMU auxiliary conference marks a very significant advance in union thinking on the whole question of auxiliaries. As president of the National Maritime Union, he told the delegates that the auxiliary is to be an "integral part of the union, not a subsidiary."

This is the first time that a national CIO union has gone all the way in following the suggestion of CIO Pres. Philip Murray, made a year ago in a letter to all CIO unions, that "our auxiliaries should become an established part of our union machinery."

Delegates from 11 ports in 10 states, including San Francisco and San Pedro on the West Coast, Charleston and New Orleans in the south, Duluth, Miami, and Boston, Mass., heard the president of their union stress political action as the major auxiliary activity.

"There is a big job ahead of the auxiliary in that Roosevelt is to be elected and with him a win-the-war Congress," Curran pointed out. "The Women's Auxiliary must do the door-bell ringing. They must go back from the conference and bring the message of the CIO right into their communities."

Ferdinand Smith, NMU national secretary, emphasized particularly the part that must be played by Negro women in carrying out the political action program of the union and the auxiliary. "Negro women in ever-increasing numbers must be brought into this work," he said. "They have an especially large stake in seeing that President Roosevelt is re-elected, along with a progressive Congress. Greater progress for the Negro people will

be assured as a result in our economic, social and political life."

The decision of the NMU National Council that the auxiliary was an integral part of the union means, President Curran said, that the auxiliaries need not spend time raising funds by raffles or in any other way that would divert their time and energy from organization. Instead, he told the delegates, it is willing and able to spend the necessary money to subsidize the valuable work of the auxiliary.

Fred. Ray Stephenson of the CIO Congress of Women's Auxiliaries and Mrs. Louise McLarnie of the CIO Political Action Committee also addressed the delegates. They stressed the importance of women must play in the 1944 election campaign and the heavy responsibility falling on the CIO auxiliary to help get out the women's vote.

Auxiliary resolutions endorsing President Roosevelt for a fourth term, expelling Thomas E. Dewey, and pledging "constant, continuous, and unceasing political activity" showed that the delegates agreed with the speakers that political action comes first on their program.

Keep Your Eye On Congress

Reconversion is still the hottest issue before Congress and the country this week, though a vote on the inadequate George (politaxer, Ga.) bill (S 2051) was expected as The CIO NEWS went to press.

Even with a favorable vote on the George bill and an attempt to shelve the Kilgore-Murray-Truman bill (S 2061) the issue is still very much alive. After Senate action, it will come up in the House.

The bill labor wants now is the Kilgore-Murray-Truman measure (S 2061) which contains the "human side" features of the original Kilgore bill (S 1933) as well as the provisions for an orderly planning of re-conversion from war to peace production.

BILL	WHAT IT DOES	WHERE IT IS	ACTION
Kilgore - Murray-Truman (S 2061)	Aids workers and veterans in re-conversion from war to peace jobs; provides orderly process for industry as well.	Early vote expected in Senate on George bill (S 2051) which does nothing for workers and veterans.	If Senate vote has been taken on George bill, wire Representative to support House version of Kilgore-Murray-Truman bill (S 2061).
Green-Lucas amendment (S 2050)	Amends soldiers' vote law to remove ban on political news to troops; has got in law by Sen. Taft (R, O.) forbids men to buy newspapers, even British ones.	To Senate committee on Privileges and Elections (Sen. Green, D, R. I. stems.)	Write your Senators to support.
FEPC bills Permanent (series)	A series of bills making anti-bias agency (FEPC) permanent.	Held up in House Labor Committee.	Urge action by your Representative to get them out of Committee and on floor.

(Note: Address all Senators, Senate Office Bldg., all Representatives, House Office Bldg., Washington 25, D. C.)

Watch That New Cook!



An All-American Ideal

The chief accusation brought against Henry A. Wallace by certain reactionaries who oppose his nomination as Secretary of Commerce, and seek to strip that office of authority over many federal loan agencies, is that he is guilty of "idealism."

They cannot successfully contend that this idealism is divorced from practical experience and administrative ability. For Wallace happens to have had a long and outstandingly successful record as an administrator of government business far more extensive than most private business.

So let us examine the ideals to which his opponents seem to object.

Wallace's chief ideal in relation to the job for which President Roosevelt has nominated him happens to be belief in the possibility of attaining an objective overwhelmingly endorsed by the country in the last elections.

This objective is an expanding postwar economy, under our private enterprise system, in which government will play a constructive role in stimulating the cooperative efforts of industry, labor, agriculture and all other groups to achieve full production and full employment, with maximum development of our

domestic and foreign trade.

Wallace, as CIO President Murray emphasizes, "has given clear public expression of his viewpoint within the framework of private enterprise our national objective must protect and secure every person able and willing to work in his right to a job, and business in its opportunity to expand and make a reasonable profit in a world free from monopolistic practices of restricted production."

This ideal is certainly shared by all forward-looking Americans, whether they be businessmen, big or little, farmers, working people, or whatever else their occupation.

It can only be opposed by selfish monopolists who imagine they can profit from curtailed production, unemployment and general national distress.

In Wallace, President Roosevelt has picked for Secretary of Commerce an outstanding exponent of this practical ideal, and a man with the administrative experience and ability to make best use of his important office for its achievement.

Americans in every walk of life who want to see a prosperous postwar America should urge their Senators to confirm Wallace as Secretary of Commerce without delay, and see that none of the powers that now reside in that position are withdrawn.

Logjam Against Labor

The War Labor Board has never been remarkable for its speed in handling cases—to put it mildly. After more than a year, it has still failed to make any report to the President on labor's demand for revision of the Little Steel formula.

To this longstanding injustice against labor, there has now been added the intolerable provocation of a letter from Stabilization Director Vinson which virtually deprives the WLB of any function and is holding up decisions in the CIO

Textile Workers' and other important wage cases.

Vinson has asked the Board not to render any decision on even so-called fringe issues such as vacations, reclassifications, shift premiums, etc., without first ascertaining from the OPA whether it may be inclined to grant any price increases.

War morale is suffering from the continued failure to adjust labor's longstanding wage grievances. Vinson's attitude, added to WLB stalling, has now created an impossible logjam. It must be broken through.

Looking Ahead

By Len De Cauw

SHIRLEY has a pretty good line on Bretton Woods and Dumbarton Oaks, based on practical personal experience.

She has been aided in her understanding by the fact that, at her age, she glances at articles by economists and monetary experts upside down or sideways, if at all—and the nearest she comes to trying to digest them is in the form of spitballs.

To provide employment for herself, Shirley recently converted her toy stove into a store counter and cash register.

She had little difficulty in producing goods to sell, but more trouble in finding customers, since the possibilities of her domestic market were soon exhausted.

So she went after foreign trade by bringing in the neighbors' children—and ran slap up against the problems that were confronted at the Bretton Woods conference.

All of the kids wanted to buy Shirley's goods, and all of them either had, or could produce, goods to sell in exchange.

But Lury and Jimmy, like the devastated and undeveloped countries, came empty-handed.

The others thereupon hit upon the solution developed at Bretton Woods, and there described as a Bank for International Reconstruction and Development.

They pooled some of their resources and granted a loan to Lury and Jimmy, so they could run back home and rehabilitate themselves by bringing back some goods and currency.

But no sooner had trading begun than another Bretton Woods problem arose, concerning currency and exchange rates.

Shirley's currency was strictly paper money—and some of it toilet paper, at that. Bobby, on the other hand, had pennies and nickels. Lury returned magnificently rehabilitated with cigarette coupons, while Jimmy brought back marbles.

This variety first arose in the transactions at first. But then Bobby began manipulating exchange rates to his own advantage, depending on whether he was buyer or seller at the time. The others began to lose out, with their money rendered virtually worthless, and trade disrupted to the point of tears.

Daddy was consulted as a financial expert and suggested the Bretton Woods proposition of an International Monetary Fund.

A pool was created from which the victims of Bobby's manipula-

tions could restore the value of their currency and continue to buy and sell, at more or less stable rates of exchange.

Bobby, who constituted most to the pool, thought this unfair at first. But when he realized the alternative was an end to the whole trading game, and idleness for himself as well as the others, he saw the point.

Unfortunately, however, Bobby later showed more pronounced signs of being an aggressor nation. He tired of trading and just started to grab Jimmy's marbles. A general melee threatened.

The Big Three adults present were appealed to by their respective offspring, with obvious attempts to involve them on opposing sides. Had this occurred, a minor fracas might have developed into a neighborhood war.

But fortunately the Big Three stood together, and the dispute was settled along Dumbarton Oaks lines. Together with the youngsters they formed a Security Council and judiciously decided who was the aggressor.

The "sanctions" of not being allowed to play with the others if he didn't behave, were applied. The armed force of a threatened paddling was held in reserve. And peace was speedily restored.

The above procedure seemed as reasonable and natural to Shirley and the other kids, as do the Bretton Woods and Dumbarton Oaks proposals to most Americans.

When the Bretton Woods agreement comes before Congress, therefore, opponents with special axes to grind are not likely to express serious opposition.

They are more likely to say the general idea is all right, but this, that and the other should be changed—until a plan already based on international agreement would be destroyed by a whole new set of destructive American amendments.

Similarly with Dumbarton Oaks, most of the isolationists have changed their tune. Dropping their earlier sneers at the Atlantic Charter and "internationalism" they now say that nothing but the most immaculate internationalism in the undiluted spirit of the Atlantic Charter (as interpreted by them) will satisfy them.

At the same time, they strike at the very basis of Dumbarton Oaks and future world peace—the continued unity of America, Britain and the Soviet Union—by seeking to breed distrust between the Big Three and insisting on conditions unacceptable to one or other of these powers.

The CIO News

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NEGRO TEACHERS ARE among the lowest paid in the country. They are discriminated against to the tune of \$25,000,000 annually. Senator Tunnell of Delaware disclosed this during discussions on the Federal Aid Bill to Education which would provide \$300,000,000 for the improvement of teachers' salaries, and for equalizing educational opportunities. This bill won the support of the CIO, and CIO's PAC. The CIO teachers urge resolutions by other trade union groups to support this. Pictured above is Mrs. W. Mae Mahaffey, a CIO teacher, of Local 581-P of the SCWMA. She is a teacher in the Blue Stone High school in Bramwell, West Virginia. She is shown conducting a spelling bee. Teachers work there under difficult conditions, such as overcrowding, and inadequate school buildings.

Democracy

tion and expansion of the Federal School Lunch program.

3. THE ESTABLISHMENT OF A National Youth Authority, as recommended by the Senate Sub-Committee on Wartime Health and Education, for combatting juvenile delinquency.

4. A \$200,000,000 FEDERAL APPROPRIATION to raise teachers' salaries and to hire additional teachers to relieve overcrowding of classes, as originally advanced in the Thomas-Hill-Ramspeck Bill.

5. A \$100,000,000 APPROPRIATION IN the same bill for equalizing educational opportunities, between rural and urban communities, between northern and southern communities, between Negro and white areas.

6. THE RIGHT OF EVERY CHILD with ability to attend a free college.

TODAY the national average pay for teachers is \$1,550 a year. About 66,000 teachers, eight in every hundred, receive less than \$600. Negro teachers in the state of Mississippi get \$377 a year. In fact, the Negro teachers lose \$25,000,000 a year because of pay discrimination.

The relationship between teachers' salaries and your child is very close. How can a teacher give her best to your child, search his young mind, find out his hidden talents, his hidden troubles, if she is harassed by

economic worries of her own, and is swamped by crowded classes?

Good education means individual attention. Can a teacher with 40 or 45 children in a classroom stop to find out what really causes Joe to misbehave? Can a highschool teacher who meets 250 pupils a day have time to find out why Mary doesn't do her homework? The parent who stops to think about these problems soon realizes that the best intentioned teacher under such circumstances can only handle problems presented hastily.

THE salary of the teacher, the size of the class, the size of the school, the condition of the school buildings, the curriculum—all these things—are related to the size of the education budget. And the size of this affects the standards of our children's education. If it is cut, our children suffer, and our community suffers.

As parents, you know that the education you received was inadequate. Only 60 per cent of Americans completed the Eighth Grade or less on leaving school. The lucky ones went on to high school, and an even smaller number went on to college.

The community was the loser. For when America needed men to fight fascism, we lost 750,000 due to functional illiteracy. This was 15 divisions—15 divisions which could not engage the enemy. Of these half a million were white, and a quarter of a million were Negro. It was a costly price for democracy to pay.

THE 1940 draft dramatically pointed the finger at the cost of low salaries for teachers.

For the 12 states that in 1920 paid the lowest salaries to teachers found out 20 years later that 110 men per thousand were not prepared to meet the minimum educational standard of four years of schooling for military service.

The 12 states that paid the highest salaries in 1920 repaid dividends 20 years later

in the fact that only 23 men per thousand reported less than four years of schooling.

EQUALITY of educational opportunity has long been a dream of democracy. Today that dream can become a reality. And labor can help to achieve it, for our children, and our fellow workers' children.

President Roosevelt has written into his new Bill of Rights "the right to a good education" along with the right to a job, home, protection in old age and ill health.

And labor has always dreamed of this. Labor and education have had an historic relationship. Since the first strivings of labor as an organized group, unions have wielded a powerful influence for public education. For the struggle for free public schools was one of the first planks in the program of organized labor. An association of workmen in Philadelphia in 1829 recommended that public schools be erected in every locality of the state, that popular election of school boards be held, and that free education be available for children of the rich and poor alike.

TODAY the CIO teachers show the way to continue that program in a series of legislative demands. It is a program to enrich our American way of life.

They want implementation of that program from the rest of labor. They say: You are a trade unionist, but you are also a parent, and your children are important to you. Have you taken part in parent-teacher association meetings? Has your organized group of parents, your local union, considered taking an active role in your community's Board of Education? Has your leading body of trade unionists looked into the problems of state aid for education? Have you passed a resolution supporting the federal aid bill to education? It is your child, and your neighbor's child and your fellow worker's child whose future is involved and through them the kind of world they will make for themselves.

*Phone, Pagnypacker 6045

101 ✓

Jacob Billikopf, Director

LABOR STANDARDS ASSOCIATION
805 BANKERS SECURITIES BLDG.
PHILADELPHIA 7, PA.

BLAUNER'S
THE BLUM STORE
BONWIT TELLER CO.
FRANK & SEDER
GIMBEL BROTHERS
LIT BROTHERS
STERN & CO.
STRAWBRIDGE & CLOTHIER

January 30, 1945

Dear Mrs. Klotz:

I am calling your attention to the enclosed editorial which appeared in the Philadelphia Record of January 25th and entitled THE MARCH OF SLIME - AGAIN, AND AGAIN, AND AGAIN. It may have escaped the attention of Mr. Morgenthau.

How are you and the rest of the family?

Kindest regards. As ever

Cordially yours,

Jacob Billikopf

PHILADELPHIA RECORD, Thursday,

PHILADELPHIA RECORD

INDEPENDENT

FOUNDED 1870

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BELL—WALNUT 2700 KEYSTONE—RACE 3371

PHILADELPHIA, JANUARY 25, 1945

The March of Slime— Again, and Again, and Again

Venom for sale. But the American people aren't buying.

The Roosevelt-haters never learn. They began their march of slime even before the President was elected.

It didn't fool the American people in 1932, when Tory prophets warned that Roosevelt would ruin business.

It didn't work in 1936, when they cried that he had ruined business.

It didn't work in 1940, when they cried "Dictator!" It didn't work in 1944, when they screamed every lie under the sun.

Yet the march of slime goes on.

In the recent election, they invented the cliché, "Clear It With Sidney." They called Hillman a Communist.

As it happened, Hillman had been the leader of all American labor in ripping Red control out of his unions. As for any orders to clear everything with Sidney at Chicago, well, they were disobeyed wholesale—especially when Henry Wallace was rejected as Vice Presidential candidate.

Now the slime bucket brigade has started on a member of the Roosevelt Cabinet. This time, Henry Morgenthau.

Senator Wheeler is merely the latest of his ilk to take up the cry first raised by the Tory press: That Morgenthau's alleged plan to remove potential war factories from post-war Germany stiffens German resistance. What a hue and cry from the haters!

But the American people are not fooled. The American people know that what purports to have been the "Morgenthau plan" was neither cruel nor unusual. Actually, nobody knows what the Morgenthau plan was.

We do know several Cabinet members were asked to submit confidential suggestions to the President in advance of the Quebec conference. We do know that there was a planned "leak" to the press, to the effect that Morgenthau had proposed de-industrializing Germany.

Now in Britain such leaks would be run down by Scotland Yard, and betrayers of confidence given stiff prison terms. The United States has no law of that kind, so "leaks" become more and more common.

While we don't believe for a minute the silly propaganda that Morgenthau's plan really stiffened German resistance, if it did the blame falls on the person who "leaked" on a confidential memorandum to the President.

Regardless of what Morgenthau said, The Record stands foursquare for a peace which will make it impossible for Germany to again plunge the world in war.

If that policy, which also is reflected in the recent Vandenberg proposal and many others, makes fanatic Germans more fanatical—

Then it makes clear WHY we must crush their war machine utterly.

Such a German attitude confirms what most of us believe—that Germany wants a soft peace now, so she can get ready for World War III, which she hopes to win.

Yes, Germany's hopes—all the hopes she has—are for a soft peace.

Who is the leader of U. S. advocates of a soft peace?

Senator Burton K. Wheeler.

The same Wheeler who fought the draft, fought lend-lease, fought drafting of fathers, reacted to the fall of France with a demand that Britain state its war aims; circulated a million franked postcards of anti-war propaganda among the U. S. armed forces, at public expense. After we were plunged in war and frontal attack became dangerous, the same Wheeler began a series of snide, slick efforts to disparage the cause of American victory, and encourage our enemies.

Wheeler's attack upon Henry Morgenthau is a tribute to the Secretary of the Treasury.

Any man who earns the hate of the Wheelers and their tribe earns it because he serves his country and its cause valiantly and with a whole heart.



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

103
photostats
on white
2/17/45

AMERICAN EMBASSY

Chungking, China.
30 January 1945.

My dear Secretary Morgenthau:

Your letter of December 16th was handed me by Mr. Adler. I deeply appreciated your letter and I have found my conversations with Mr. Adler very helpful.

I have told Mr. Adler that I will keep him advised from time to time on every subject that arises pertaining to finances and economics and on any other subject that may be pertinent to his mission here.

This note is intended to be an appreciation of your kindness and the generous support that you have always given me.

With kind regards and best wishes, I am

Sincerely,



PATRICK HURLEY.

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

RECEIVED FEB 13 10 10 1945
10-32
RECEIVED DEPT. OF THE TREASURY
OFFICE

January 30, 1945.

Dear John:

It pleased me greatly to read your letter of January 27 on the termination of your service as Executive Director of the War Refugee Board.

You have done a really great job and one that will, I hope, cause you to be held in grateful memory by many people. Certainly I shall not forget the energy and devotion that you have brought to bear on this historic task and the successes that have been attained through your efforts.

Though you are no longer Executive Director I shall still be looking to you for advice and help so long as the Board operates and I am a member of it.

Sincerely,

(Signed) Henry Morgenthau, Jr.

Mr. J. W. Pehle
Assistant to the Secretary
Treasury Department

HEG/mah

2/19

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

January 27, 1945

OFFICE OF THE
EXECUTIVE DIRECTOR


My dear Mr. Secretary:

I cannot terminate today my service as Executive Director of the War Refugee Board without expressing to you personally the satisfaction which I have derived from this task.

As I know so well, the War Refugee Board would not have been established if it had not been for your courage and intense interest. Nor would the War Refugee Board been able to accomplish what it has accomplished without your active daily support, as well as your ideas and inspiration.

I think we have all gained a great deal personally from this experience, as well as having accomplished a great deal of good, and I want to thank you on my behalf, as well as on behalf of the many people who have benefited from the Board's activities.

Faithfully yours,


J. W. Pehle
Executive Director

The Honorable

The Secretary of the Treasury

1/30/45

TREASURY DEPARTMENT ORDER #57. 57

-I hereby delegate to J. W. Pehle, Assistant to the Secretary, and to such persons as he may designate, all the powers, functions, and duties of the Secretary of the Treasury contained in Procurement Division General Order 3 approved by me today. This delegation takes effect immediately.

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

GENERAL ORDER 3

TO: Heads of the Offices of Procurement Division, Regional Directors
FROM: J. W. Peble, Assistant to the Secretary

SUBJECT: Regulations concerning adjustments of Sales Contracts

The following procedure shall be followed as to all requests for adjustment under the provisions of paragraph 5 of Treasury Department Sales Conditions No. 1, dated January , 1945, reading as follows:

"Sales are subject to such adjustment, upon the request of the purchaser, as the Secretary of the Treasury, or his designated representative, may, in his discretion, determine to be equitable under the circumstances. Requests for any such adjustment will be considered only if filed within twenty days after the date of the mailing of the Notice of Sale (or such other period as may at any time be specifically allowed in writing) in the manner prescribed by applicable regulations of the Office of Surplus Property, Treasury Department, copies of which may be obtained from that Office, Washington, 25, D. C., or any Regional Office of that Office. The determination of the Secretary of the Treasury or his designated representative shall in all cases be final."

1. Requests for adjustment shall be filed in writing with the Regional Director of the Regional Office that handled the transaction. The applicant shall state fully the basis upon which the adjustment is requested, including a detailed statement of all the relevant facts, and shall state the nature and extent of the adjustment desired. Requests filed after twenty days after the date of the mailing of the Notice of Sale will not be considered unless the applicant shows compelling reasons why it was impracticable for him to file the request within such time.

2. Regional Directors shall immediately advise the Director of Surplus Property, Washington, D. C., of the date of filing and nature of each request for adjustment filed with them. Each Regional Director shall review or cause to be reviewed all such requests filed with his office and shall, when necessary, require that they be amended to meet the requirements of paragraph 1, above. To the extent he deems appropriate, the Regional Director may also, as part of such review, request additional information from the applicant or additional verification of the facts stated by the applicant, and may order inspection of the property involved. Upon completion of such review, which shall be as prompt as possible, the Regional Director shall refer the request, together with the entire file and his recommendation, to the Director of Surplus Property, Washington, D. C.

3. The Secretary of the Treasury, or his designated representative, will consider all such requests for adjustment, will obtain such additional evidence as he deems appropriate, and will render final decision thereon. Upon request, the applicant may be granted opportunity for oral discussion or presentation of additional evidence.

4. The appropriate Regional Director will be advised of the final decision in each case, and he will notify the applicant and take any action necessary to carry out such decision.

J. W. Pehle
Assistant to the Secretary

Approved:

Secretary of the Treasury
January , 1945

15/2/45 JWP

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J. W. Pehle
Assistant to the Secretary

Approved:

Secretary of the Treasury
January , 1945

15/ *L.H.M.*

JAN 30 1945

John W. Pehle
Secretary Morgenthau

I have approved your proposed regulations concerning adjustments of sales contracts, and have signed a proposed order delegating to you the authority to carry out its provisions.

As you know, the proposal to make sales contracts subject to adjustment after the arrangement has been consummated on a "where-is, as-is basis" is one which, while undoubtedly necessary in appropriate cases, has in it the possibility of great danger if not applied very carefully.

Under the circumstances, I should like to have it understood (1) that all adjustments in sales contracts which involve a reduction in the agreed upon price of \$25,000 or more will, for the time being, be reported to me before any such change is agreed upon; and (2) that after you have had a reasonable time in which to learn by experience the types of situations clearly justifying any such adjustments, you attempt to formulate instructions which will more expressly indicate the sort of situation in which such adjustments will be considered proper.

W. J. Pehle

JJO'C:mv

JAN 30 1945

John W. Pehle

Secretary Morgenthau

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W. H. H. H.

JJO'C:mv

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date
JAN 30 1945

TO Secretary Morgenthau
FROM J. J. O'Connell, Jr.

Annexed is a memorandum from the Acting Commissioner of Internal Revenue which outlines the prevalence in the motion picture field of incorporation as a tax avoidance device in order to obtain capital gains benefits.

The Bureau has the subject actively under investigation with a view to early litigation or appropriate legislation if the litigation is not successful.

114
TREASURY DEPARTMENT

WASHINGTON 25

OFFICE OF
COMMISSIONER OF INTERNAL REVENUE

January 29, 1945

ADDRESS REPLY TO
COMMISSIONER OF INTERNAL REVENUE
AND REFER TO

MEMORANDUM FOR THE SECRETARY:

In accordance with the telephone request of Mr. O'Connell made on January 26th, I am advising you as to the action taken to date respecting utilization of newly formed corporations to avoid the payment of high surtaxes by artists and producers in the motion picture field. This particular matter came to the attention of the Bureau early in April 1944. On April 29, 1944, the Internal Revenue Agent in Charge at Los Angeles was instructed to make a detailed investigation with respect to the taxpayers in the motion picture field who were engaged in this type of tax avoidance.

Under date of August 18, 1944, a preliminary report covering the practices and methods used by independent motion picture producing companies to secure the benefits of Section 117 of the Internal Revenue Code (capital gains) was submitted by the Internal Revenue Agent in Charge at Los Angeles. The report discloses that more than one hundred motion picture companies were organized in 1943 and 1944. The practice generally followed by such companies is summarized in the following paragraphs:

The independent producer secures a story and proceeds to interest a prominent actor or actress with the object in view of executing employment contracts. At that point, a major studio and distributor is contacted and the merits of the story, its previous publication, and the acting material, are offered, together with a plan for financing. A major producing studio may finance the overhead and salary of its own employees, representing approximately forty (40) percent, a banking institute will advance about fifty (50) percent, and the producer will furnish his services as the remaining ten (10) percent. Prior to the final settlement, a company is incorporated, usually under the laws of the State of California. Proposed distribution, financing, and personal service agreements are made with the studio and other financing agreements with the bank. Prior to the start of pro-

duction, the income percentages on distribution of the production are settled by agreement.

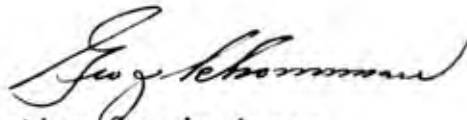
The capital paid in for capital stock is usually a nominal sum. The picture is usually completed in six to eight months, and definitely within a year. Upon completion of the production, and usually before the release of the picture for public consumption, the producing company is liquidated and dissolved. The estimated market value of assets on date of liquidation is the estimated earnings of the picture produced, less future distribution costs. The stockholders then claim the tentative profit as capital gain.

The Income Tax Unit of the Bureau, after receipt of the preliminary report referred to above, examined the problem from a legal viewpoint, collaborating with the Chief Counsel's Office, the Office of Tax Legislative Counsel and the Division of Tax Research. After considerable study a course of action was determined and under date of October 9, 1944, the Revenue Agent in Charge at Los Angeles was instructed to proceed with the investigation of the taxpayers utilizing the corporate device as a means of tax avoidance and to supply information to enable the Bureau to select an appropriate test case for litigation purposes.

It is further pointed out that not only are producers active in this field of tax avoidance but that there are also performing artists who in some cases also engage in this type of tax avoidance by acquiring capital stock of the corporation producing the picture in which they appear, paying therefor a relatively insignificant amount of cash. The artist then claims capital gain based upon the fair market value of the corporate assets when the corporation is dissolved.

It is understood that this particular form of tax avoidance was devised by a certain New York firm. It may be stated that some of the major studios collaborate in the forming of such devices and that other major studios do not.

While it is by no means certain that the Government will prevail in the courts, nevertheless it was decided that the Bureau should aggressively attack this tax avoidance device in the courts. If the Bureau is not successful, it is believed that appropriate legislation should be sought to prevent such tax avoidance.



Acting Commissioner

January 30, 1945

My dear Mr. Clayton:

This will acknowledge receipt of your letter of January 27th outlining the work of the Liberated Areas Committee and requesting the designation of a representative and an alternate who would be authorized to speak conclusively for the Treasury Department.

I should like to have Harold Glasser, Assistant Director of the Division of Monetary Research, act as Treasury representative on this Committee and Mr. Lehman C. Aarons, Assistant General Counsel of the Treasury Department, serve in the capacity as alternate.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable William L. Clayton,
Assistant Secretary of State,
Department of State,
Washington, D.C.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE
January 29, 1945

TO Secretary Morgenthau
FROM Mr. DuBois

Reference is made to the attached request by Clayton for the designation of a representative and alternate from the Treasury Department for the Liberated Areas Committee. This Committee has been in existence for some time and White has had Glasser represent the Treasury Department in the past.

I consulted White on this matter, and also mentioned it to Luxford. We are all in agreement that Harold Glasser should be designated as the Treasury representative and Lehman C. Aarons as the alternate.

JCD

Attachment.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Jan. 29, 1945

TO Mr. DuBois
FROM Secretary Morgenthau

Please consult the various people in the 9:30 Group who might be interested in this, and give me a couple of names I might consider passing on to Mr. Clayton. I want twenty-four hour service on this, please.



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
LA

January 27, 1945

My dear Mr. Secretary:

Having just assumed the Chairmanship of the Liberated Areas Committee, I am writing to ask that you confirm the designation of a representative and alternate of the Treasury Department on this Committee. It is important to the effectiveness of the Committee that your designee be authorized to speak conclusively for the Treasury Department.

I am convinced that the Committee is of vital importance in the formulation of economic policy for areas liberated or to be liberated. I trust, therefore, that I can count on the regular attendance of your representative, in view of the seriousness of the responsibility. I am enclosing, for your information, a resume of the scope of the Committee's activities, which will be submitted shortly for formal adoption by the Committee. I should appreciate your calling this letter and its enclosure to the attention of all appropriate personnel in the Treasury Department who have to deal with matters of economic policy which might affect liberated areas. In order to have a properly coordinated position on such matters, it is imperative that all the major questions be cleared through this central committee.

Sincerely yours,

William L. Clayton
Assistant Secretary

Enclosure:

Resume of scope of Liberated
Areas Committee's activities.

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



LIBERATED AREAS COMMITTEE

Membership, Terms of Reference and Functions.

I. The membership consists of representatives of the State Department, which provides the Chairmanship and the Secretariat, the Foreign Economic Administration, the Treasury Department, the War Department and the Navy Department. Representatives of other agencies attend as observers.

II. The terms of reference of the Liberated Areas Committee can be stated as follows:

"To provide the forum in which the various United States civilian agencies concerned may formulate, with the War and Navy Departments, coordinated and united policies on all economic problems arising in areas formerly, or still, under enemy domination which are of appropriate concern to civilian agencies during the military or post-military period."

Thus, no basic economic problem of civilian concern as regards liberated or to-be-liberated areas is beyond the competence of the Committee, nor should such problems be resolved without reference to the Committee. The policy aspects of all supply, shipping and financial arrangements for liberated areas are matters for the consideration of the Committee whenever they affect more than one liberated country and whenever no comparable policy forum for the individual area (such as the French Area Committee) has been established.

III. One of the chief functions of the committee is the coordination of views as between the civilian agencies and the military. Economic policies during the military period going beyond the basic military jurisdiction of the Combined Civil Affairs Committee must of necessity be coordinated with the military authorities. Likewise, all economic planning for the transition from the military to the post-military period must have the same joint consideration.

The operational phases of common economic problems concerning liberated areas are considered in the Operating Sub-Committee of the Liberated Areas Committee, LAC(S). FEA provides the Chairmanship and the Secretariat. The membership, besides FEA, is composed of the State Department, the Treasury Department, the War Department and the Navy Department, representatives of other agencies attending as observers.

IV. It

IV. It is contemplated that specific area committees may be created as occasion demands. For the present, economic policy matters concerning individual liberated areas - other than France - are considered in the Liberated Areas Committee as the only existing forum for such consideration.

JAN 30 1945

Dear Mr. Grew:

My staff has been informally advised that your World Trade Intelligence Division proposes to send Alfred W. Barth, formerly associated with the Chase National Bank, to the neutral countries to establish contacts with the banking interests with the aim of facilitating our joint efforts to uncover secreted German assets.

I am enclosing for your information a photostatic copy of a letter concerning Mr. Barth, recently received by this Department from the United States Attorney for the Southern District of New York. This letter describes Mr. Barth's participation in the violation of the freezing order for which the Chase National Bank has been indicted. It also indicates that Mr. Barth played a prominent role in the sale of Ruckwanderer marks in this country. I am sure that you will want to consider the proposed employment of Mr. Barth in the light of this information. Will you please inform me of your decision with respect to this matter?

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Joseph C. Grew,
Under Secretary of State,
Washington 25, D.C.

Enclosure

IM:OAS:rg 1/23/45

Regraded Unclassified

ADDRESS REPLY TO
"UNITED STATES ATTORNEY"
AND REFER TO
INITIALS AND NUMBER

DEPARTMENT OF JUSTICE

UNITED STATES ATTORNEY

SOUTHERN DISTRICT OF NEW YORK

NEW YORK, N. Y.

95497

January 18, 1945.

Irving Moskowitz, Esq.,
Foreign Funds Control,
Treasury Department,
Room 403, 709 - 12th St., N.Y.
Washington 25, D. C.

Re: Chase National Bank.

S i r :-

Reference is made to your telephone conversation with my Assistant, Mr. Bruno Schachner, concerning information in our possession about Alfred W. Barth, formerly Second Vice President of the Chase National Bank of New York.

As you know, there are at present pending two indictments against the Chase National Bank, charging it with violations of the Executive Orders relating to foreign funds. Both indictments grow out of transactions in connection with the account of one Leonard J. A. Smit and his companies, who were codefendants. Leonard J. A. Smit and his companies have pleaded guilty and have been sentenced. The case against the Chase National Bank is still pending. Alfred W. Barth was one of the men in charge of administering the freezing order as it affected the Chase National Bank, and as such he authorized payments from the account of Anton Smit & Co., which according to the contention of the Government should not have been permitted.

While it is not clear whether at the time the original decision was made Mr. Barth was in possession of information from which he could determine that his action was illegal, however, one of the employees of the bank testified that Mr. Barth subsequently acquired that information and disregarded it. Assuming that the testimony of that employee is true, Mr. Barth would be guilty of an intentional violation of the freezing order. The violation is particularly serious because it enabled Leonard J. A. Smit to finance transactions in industrial diamonds which were of considerable aid to the Axis powers. There is, however, no evidence to indicate that Mr. Barth knew that his illegal action in connection with the freezing order would ultimately involve aid to the Axis.



Irving Moskowitz, Esq.,

January 18, 1945.

The activities of Alfred W. Barth have also been investigated both by the Department of Justice and by this office, in connection with the sale of Rueckwanderer Marks by the Chase National Bank. Mr. Alfred W. Barth was in charge of that program for the Chase National Bank.

It is alleged that the sale of Rueckwanderer Marks was the most important source of dollar credits for the German Government. In the course of an investigation of the accounts of the Goldkontbank in the United States over nineteen million dollars in these accounts have been identified as having been derived from the sale of such Marks. Of this amount roughly nine million dollars was obtained through the Chase National Bank whose gross commissions totalled about five hundred thousand dollars. The net profit of the Chase National Bank is estimated at two hundred and fifty thousand dollars.

In the conduct of this business, the Chase National Bank was closely associated with German Government banks and other Government agencies. In essence, the German Government through the Chase National Bank offered German residents in this country the opportunity to buy Marks at a preferential rate if they undertook to utilize these Marks solely in Germany. The theory of the arrangement was that it was open only to persons desiring to return to Germany and make their permanent home there. Thus, before any transaction could be consummated, persons desiring to purchase such Marks had to convince the German Government that they were desirable as residents of Germany. The Chase National Bank appointed a large number of sub-agents throughout the country whose mission it was to promote the sale of such Marks. In the course of this promotion, the advantages of living in Germany were stressed extensively. After the outbreak of the present war, prospective purchasers were urged to invest in Rueckwanderer Marks on the ground that such Marks were an excellent hedge against inflation in the United States, and were bound to increase in value after a German victory which was assumed. Between December 15, 1940, and May 15, 1941, purchases totalling two million dollars were made through the Chase National Bank.

BS:LMD
95497

-3-

Irving Moskowitz, Esq.,

January 18, 1945.

From documentary evidence, it is clear that Alfred W. Barth realized that the true purpose of this scheme was to raise foreign exchange for the German Government. It is further clear that officials of the Chase National Bank realized that the scheme was essentially unfair to the United States, and were anxious to avoid undue publicity which "might possibly compel our Department of State to enforce a clearing system between Germany and America". It was further clear to them that such a clearing system would be disadvantageous to Germany, and in statements to the German Government their representatives stressed the desirability of avoiding publicity since it might do harm to German interests.

In connection with the detention of alien enemies, the purchase of Rueckwanderer Marks by an alien enemy is considered some indication of disloyalty to this country.

I have no further information concerning the loyalty of Alfred W. Barth to the United States.

Respectfully,

John F. X. McGoney
JOHN F. X. MCGONEY,
United States Attorney.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 1/23/45

TO Secretary Morgenthau

FROM Mr. White *JDW*

FOR ACTION

As you know, we have been actively engaged, together with State and FEA, in dealing with the problem of uncovering secret German assets throughout the world, particularly in the neutral countries.

We were recently advised that State plans to use Alfred W. Barth, formerly Second Vice President of the Chase National Bank, as an intermediary in establishing contacts with the banking interests in neutral countries of Europe in connection with this problem.

In our opinion the employment of Barth for this purpose would not be in the best interests of this Government. He was directly involved in the Anton Smit transactions which formed the basis of the pending indictments against the Chase National Bank for violation of the freezing Order. Moreover, Barth played an important role in the ruckwanderer mark business carried on by the German Government in the United States to raise foreign exchange.

I do not believe that the responsible persons in the State Department are aware of Barth's activities while he was employed by the Chase Bank. It seemed desirable to have a third-party statement concerning Mr. Barth. Accordingly, we obtained a letter on the subject from the United States Attorney for the Southern District of New York.

I recommend that this matter be called to Mr. Grew's attention and that he be furnished with a photostatic copy of this letter. If you approve, there is attached for your signature a letter of transmittal.

Attachment

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

January 15, 1945

TO : Mrs. Shwartz

FROM : B. I. Feig

Re : George Barth - U.S. Commercial Corporation

For your information, I was advised of the following by Covey Oliver concerning State Department's plans for Mr. Barth of the U.S.C.C.:

(1) State proposes to hire Barth to visit Madrid, Lisbon and Bern.

(2) Barth will travel as a State Department employee, and will not be attached officially to the Foreign Service or any of the Missions.

(3) His principal function will be to establish contacts for Mission representatives with banking interests.

(4) He allegedly will not engage in any official negotiations or discussions. (Note: Oliver stressed this continually during our conversation.)

(5) In response to a specific inquiry concerning Barth's proposed activities in Bern, Oliver stated it is intended merely that Barth circulate in Swiss banking circles to learn all he can about the Swiss banking situation and to determine where and how our Government can best exert its efforts to overcome existing difficulties in this field. Barth is then to return to Washington where he will report his findings and make recommendations.

Feig

cc: Mr. Moskowitz

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

129 ✓
Hound
DATE January 30, 1945

TO Secretary Morgenthau

FROM Mr. White

Information

Subject: The Disagreement between M. Mendes-France and M. Pleven on the Question of Financial Policy in France.

Mr. Hoffman informs us that following a six-hour conference on January 28 between Ministers Mendes-France and Pleven and General DeGaulle over the question of the financial policy to be followed by the French Government, M. Mendes-France tendered his resignation to General DeGaulle. Four other Cabinet Ministers were ready to resign at the same time. General DeGaulle refused to accept the resignation and handed it back to M. Mendes-France the same day.

M. Mendes-France maintains that the financial policy currently pursued by the French Government is carrying France along conventional lines towards inflation. He strongly favors a deflationist policy with a strict control over prices, wages and profits and insists that the programs of the Finance Ministry should be coordinated through his own Ministry of National Reconstruction in the same way as the policies and programs in the Ministries of Production, Agriculture, Supply, Labor and Transport. On the other hand, M. Pleven argues that he must retain freedom of action with coordination only at the Cabinet level. M. Pleven stresses the necessity for an expansion of production and has stated publicly that financial measures alone cannot be the cure-all for French economic and financial ills.

- 2 -

Mr. Hoffman reports that as a result of the January 28 events reported above, a compromise of some sort has been reached, although it is not known at the present time just what that compromise constitutes.

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

131
DIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

1945 JAN 26 AM 9 23

JEC-143
This telegram COMMUNICATIONS
paraphrased by AND RECORDS
communicated to (LAWSON)
other than a Government
Agency. (SECRET-O)

Paris

Dated January 24, 1945

Rec'd 11:15 p.m., 25th

Secretary of State,
Washington.

348, January 24, 9 p.m.

FOR TREASURY FROM HOFFMAN.

The differences on matters of fiscal policy and economic (reference our letter No. 65 of January 4) policy as represented by Mendes France and Pleven came to a head last week end. Mendes France handed in his resignation to General de Gaulle. It is our understanding that De Gaulle held a 6 hour conference on Sunday with Mendes France and Pleven in an endeavor to compromise their differences. The issue appears to be two-fold: Mendes France's Ministry nominally acts in a coordinating and directing capacity over the ministries of Production, Agriculture, Supply, Labor and Transport and he is anxious that finance too should come directly under his Ministry's control. Also as you know he strongly favors a deflationist policy

CONFIDENTIAL

For security reasons the text of this message must be closely guarded.

-2-, #348, January 24, 9 p.m., from Paris

policy somewhat akin to the Corsican program with a strict maintenance of price, wages and profits control. Pleven argues on the other hand that he must retain freedom of action with coordination at a cabinet level. On the second question he argues publicly in favor of reliance on an expansion of production and providing an incentive for production and that financial measures, however bold, cannot bring a complete cure for French economic and financial ills. Confidentially PLEVEN still stresses the necessity for some strong tax measure but of a more classical type than that advocated by Mendes France. We are confidentially advised that the differences really came to a head last week over the announcement of the conversion of French rentes reference our No. 299 January 22 Mendes France expressing the view that financial policy was drifting along conventional lines towards inflation. De Gaulle did not accept Mendes France's resignation and handed it back to him on Sunday night. Since that time we have received additional information indicating that a compromise of some sort has been reached. Also that in addition to

Mendes France

-3-, #348, January 24, 9 p.m., from Paris

Mendes France & other ministers were ready to resign with him. Inasmuch as the present cabinet represents a delicate balance of all elements that support De Gaulle a resignation of this many ministers might have involved a major reshuffle for which there can be no appeal either to the nation or even to elected representatives.

CAFFERY

JMS

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

January 30, 1945

TO Secretary Morgenthau

FROM Mr. White

*HOW**Information only*

Subject: Some items of interest contained in the Weekly Bulletin of the Public Relations Branch of the Allied Commission in Italy for December 24-30, 1944, just received

1. In a press conference for foreign journalists on December 27, 1944, the head of the Public Relations Office of the Presidenza announced that:

(a) Italy has resumed diplomatic relations with Belgium and is in the process of reinstating them with France and Rumania.

(b) While there are many pressing internal problems in the fields of punishment of fascist crimes, food and reconstruction, the war effort is and will remain the first concern of the Italian Government. (It is interesting to note that in Sicily, only 1,000 Italians out of the expected 8,000 have responded to the military call.)

(c) Although administrative elections probably cannot be held before late spring, plans for an interim consultative body are being considered.

(d) Count Sforza has indicated a desire to resign from his position as High Commissioner of Epuration. (Subsequent information reveals that Sforza actually resigned and was replaced by a joint commission.)

2. There has been much discussion in the Italian press, with various newspapers taking opposing sides on the question of the removal from active duty of General Azzi after he publicly favored democratization of the army. General Azzi who has strong republican views fought valiantly against the Germans after the Armistice and had been made Commander of the Lazio-Umbria-Abruzzi military region.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

House

DATE Jan. 30, 1945

TO Secretary Morgenthau

FROM Mr. White

Subject: Predicted Drop in British Gold and Dollar Holdings in Last Four Months of 1944

1. You will recall that in presenting their case for our consideration in the recent Stage II discussions the British predicted that their gold and dollar reserves would decline sharply from the August 31 war-time "peak" of \$2,258 million gross and \$1,748 million net to \$2,032 million gross and \$1,485 million net by the end of 1944. This prediction represented an estimated total decline in the last four months of the year of \$226 million in the gross figure and \$263 million in the net or average declines, respectively, of \$55 million and \$66 million per month.

2. You may also recall that we repeatedly questioned the above British estimates and expressed the opinion that they represented a serious overstatement of the prospective position. Some of us, in fact, believed that little if any decline was to be anticipated during this period. The British stood by their original estimates, however, until December 2 when Lord Keynes wrote me that according to recent word from London the estimates of net reserves for December 31 (gross was not mentioned) had been revised upward from \$1,485 million to \$1,529 million, an improvement of \$44 million.

3. The British have now reported to us the actual figures through November 30 which are as follows: (in millions of dollars)

<u>Date (1944)</u>	<u>Gross Gold and Dollars</u>	<u>Gold and Dollar Liabilities</u>	<u>Net Gold and Dollars</u>
August 31	2,258	510	1,748
September 30	2,230	518	1,712
October 31	2,228	484	1,744
November 30	2,254	510	1,744

It will be seen that net reserves, after declining \$36 million in September, rose \$32 million in October and remained at that level to November 30. This is a decline in three months of only \$4 million from the August 31 war-time "peak" whereas the prediction was for a

Dear Harry: I think I should write a letter gently bringing these facts to the attention of Sir John Anderson. Copy to F.A.R., Ed. Steinhilber, + Wissant, Crowley. 24 hours service.

See group 2/9/45. Major decided not to send letter.

Division of Monetary
Research

- 2 -

decline of approximately \$66 million per month. Similarly the gross figure, after declining moderately in September and October has also risen to within \$4 million of the August 31 peak. These changes, representing three months out of the four covered by the British prediction, are in fact negligible. It seems entirely likely that the December figures, when available, will show that at year-end the British reserve position whether measured in gross or net terms, was from \$200 million to \$250 million better than they predicted it would be.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Jan. 23 1945

TO Secretary Morgenthau

FROM Mr. White

Subject: Predicted Drop in British Gold and Dollar Holdings in Last Four Months of 1944.

1. You will recall that in presenting their case for our consideration in the recent Stage II discussions the British predicted that their net gold and dollar reserves would decline sharply from the August 31 war-time "peak" of \$1,748 million (the latest actual figure available during most of the discussions) to \$1,485 million by the end of 1944. This prediction represented a total estimated decline in net reserves during the last four months of 1944 of \$263 million or an average of some \$66 million per month.

#2032 m gross

2. You may also recall that we repeatedly questioned the above British estimates and expressed the opinion that they represented a ~~gross~~ *serious* overstatement of the prospective position. Some of us, in fact, believed that little if any decline was to be anticipated during this period. The British stuck by their original estimates, however, until December 2 when Lord Keynes wrote me that according to recent word from London the estimates for December 31 had been revised upward from \$1,485 million to \$1,529, ~~an~~ *improvements* of ~~\$44~~ million. — *million and \$44 million.*

net L# — gross and respectively,

3. The British have now reported to us the actual figures through November 30. They are ("net" gold and dollars) as follows: September 30, \$1,712 million, representing a drop of \$36 million from the August "peak" of \$1,748 million; October 31, \$1,744 million indicating a rise of \$32 million over the previous month bringing the level of net reserves almost back to the August war-time "peak"; November 30, \$1,744 million or no change in net from the preceding month. Thus, instead of the predicted decline of \$66 million per month in the last four months of 1944, the first three months of that period show a decline from the "peak" of only \$4 million. It seems entirely likely that the December figures, when available, will show that at year-end the British net reserve position was at least \$250 million better than they predicted it would be.

4. Admittedly the prolongation of the war in Europe may mean that U.S. troops have not been withdrawn from the U.K. to the extent that the British anticipated. But the British estimate rested only in part on the assumed drop in U.S. troop pay in the U.K. An equally important factor in their calculations was an assumed drop in dollar earnings in the rest of the Empire, a factor which the course of the war in Europe in the past few months cannot have affected substantially. We may conclude therefore that, after making some allowance for the European war set-backs, our judgment has been confirmed that the British have overstated the seriousness of their gold and dollar prospects.

5. We believe that this overstatement applies not only to the estimates they gave us for the last months of 1944 but to their predictions for the year 1945 as well. We are currently making an analysis of the external financial prospects of the British for 1945 as we see them and we will keep you informed from time to time of our views.

OFFICE OF
THE SECRETARY OF THE TREASURY

3:20 p.m.
January 30, 1945

MESSAGE FROM MR. REAMS (YOST'S ASS'T)

Re: The Kirk Message

The Committee involved is the British
Supplies for Liberated Areas Committee.

The message was sent for information only -
not an action telegram.

In general, the assistance will be only
enough to avoid disease and unrest. But, if that
supply should be higher than amounts going to
other liberated areas, it will be reduced.

Secret 140

Secretary Morgenthau

If you haven't seen
this you may be more than
interested

Jan 25, 1945

OJC

Oscar Cox

G-2358

Unproofed Copy - ew Rec'd Cable Section

Copy

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN POLITICAL ADVISER, CASERTA
 TO: Secretary of State, Washington
 DATED: January 21, 1945
 NUMBER: 251

SECRET

SAC has been informed by the War Office that BIA committee has approved principle of supplying relief supplies to German and Austrain civilians to the extent of preventing unrest and disease and on scale not higher than that generally obtaining in liberated areas. Only for Combined Operational Command this arrangement will be in effect.

KIRK

DC7L:MLG
 1-22-45

FROM: American Embassy, Quito
TO: Secretary of State, Washington
DATED: January 30, 1945
NUMBER: 88

142

CONFIDENTIAL

Foreign Office has sent Embassy a communication/^{today}saying that it will agree to instruct its representative in Geneva by wire to advise protective power of Ecuador that validity of passports referred to in cable No. 68 from the Department, dated January 24, has been extended. It further states that bearers should be granted protection provided that the U. S. Government guarantees that the 147 passports will be taken up by American military authorities and turned over to a designated Ecuadoran consular or diplomatic official, immediately upon liberation of their bearers.

So that suitable answer to the Ecuadoran Government may be made, the Embassy would be grateful for instructions by cable. Following this by courier you will receive text of Foreign Office communication.

SCOTTEN

DC/L:ER 1/31/45

C -
O
P
Y

CABLE TO WINANT, LONDON, FROM DEPARTMENT, WAR REFUGEE BOARD, TREASURY AND REA

143

Please refer to your no. 3414, October 6, paragraph 14 of your Airgram A-1211, October 4, and Airgram A-1213 of October 6.

This Government cannot agree with British view concerning "monetary relief" as set forth in the aforementioned messages. It should be made clear to the British authorities that we do not consider that operations designed to implement War Refugee Board activities which are emergency in nature are involved in the relief problem under consideration by the Special Committee on Relief in London. Accordingly, discussions of the activities of the War Refugee Board in the latter connection can only create confusion. Since the War Refugee Board was established as an emergency measure to execute this Government's determined policy, the financing of private projects designed to carry out that policy must be treated in the special manner which this Government has accorded in the licenses which have been issued during the past year.

Previously the British Government objected to our licenses on the ground that they afforded to the enemy opportunity to acquire foreign exchange for use in the prosecution of the war. Now, since they feel that this danger has lessened, the British argue that the reason for objecting to our licenses is the possibility that the payment of foreign exchange to the enemy may assist enemy schemes to acquire and conceal funds in neutral countries.

That this Government is fully cognizant of the danger now expressed by the British Government as the reason for objecting to our licenses and the projects thus authorized is illustrated by our initiating the proposal which led to the adoption of Resolution VI by the Bretton Woods Conference. Obviously the dangers involved in the acquisition of foreign exchange by the

- 2 -

enemy are constantly borne in mind in the issuance of our licenses. It seems clear to us that joint consultation before such licenses are issued by this Government will result in nothing but delay.

We have always felt and continue to feel that the risks involved in these cases are disproportionate to the paramount consideration of saving the lives of these unfortunate victims. We feel that experience thus far has borne out the validity of our position in that thousands of lives already have been saved with very negligible benefit to enemy nationals.

THIS IS WRB LONDON CABLE NO. 41.

Jan. 30, 1945

C
O
P
Y

CABLE TO AMERICAN EMBASSY, LONDON, FROM WAR REFUGEE BOARD.

Please deliver following message to Dr. Leon Kublowitaki,
World Jewish Congress, 55 New Cavendish Street, London, from
Dr. Arish Tartakower of World Jewish Congress:

QUOTE VIEW EXISTING POSSIBILITIES RESCUE WORK ESPECIALLY
FOR DEPORTED HUNGARIAN JEWS IN GERMANY CONSIDER YOUR GOING
SWITZERLAND URGENT CABLE ANSWER. CAMPAIGN COMMITTEES
ARGENTINE VENEZUELA INSTRUCTED TRANSMIT FUNDS TO RIEGNER
FOR RESCUE WORK. UNQUOTE

THIS IS WRB LONDON CABLE NO. 42.

Jan. 30, 1945

CABLE TO AMERICAN EMBASSY, LONDON, FOR MANN FROM WAR REFUGEE BOARD

Your transfer to Treasury and new payroll necessitates closing your account. Please arrange for repayment of \$300 travel advance at your convenience.

THIS IS WRB LONDON CABLE NO. 43.

2:15 p.m.
January 30, 1945

BJJ-1444

PLAIN

London

Dated January 30, 1945

Rec'd 5:03 p.m.

Secretary of State,

Washington.

US URGENT

ZECNO 7, Thirtieth

FROM SCHOENFELD.

In note of January 27 Ripka quotes a telegram signed "Marchioness of Reading, Leon Kubowitski, World Jewish Congress, 55 New Cavendish Street, W 1" stating that reports from reliable sources indicate Germany has started annihilation Jewish remnants interned in German-held lands and urging Czecho-slovak Government to approach Germany through protecting powers, the Holy See and International Red Cross and expressing conviction that strong attitude may achieve beneficial results.

Ripka continues that Czecho-slovak Government is alarmed and suggests that since this concerns many Allied governments latter might collectively make strong representations through channels suggested above.

Since his government has no official contact with protecting powers he expresses the wish on behalf of his government that US Government may consider taking steps toward saving remainder of the interned and deported Allied citizens. He adds that should US Government deem it advisable to undertake collective action Czecho-slovak Government would willingly associate itself with such a proceeding.

Similar notes sent to British and Soviet Missions.

WINANT

JT

C
O
P
Y

CABLE TO JOHNSON IN STOCKHOLM FOR OLSEN FROM WAR REFUGEE BOARD

Representatives of World Jewish Congress have recently asked Board to consider expansion of food parcel scheme from Sweden. Before considering this proposal, Board would appreciate report from you on present program involving food packages purchased in Sweden for inmates at Bergen Belsen. Board would also appreciate your recommendations on possible expansion of the program which would include deliveries to camps other than Bergen Belsen. For your information representatives of World Jewish Congress also approached Mann in London on the same matter and specifically requested that WRB funds be used for the proposed expansion.

THIS IS WRB STOCKHOLM CABLE NO. 301

Jan 30, 1945

EC-1568

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

Stockholm

Dated January 30, 1945

Rec'd 8:45 p.m.

Secretary of State

Washington

364, January 30, 6 p.m.

The following telegram has been sent to the Embassy at London.

173, January 30, 6 p.m.

World Jewish Congress representative in Sweden requesting approval ship 50 tons clothing in 2 1/2 kilogram parcels to Jewish internees (my 364 January 30, 6 p.m. repeats this message to Department) in German concentration camps at the Resienstadt and Bergen Belsen under same conditions outlined in Legation's 1281 October 14, 6 p.m. to London repeated Department as Legation's 4181 and approved by London 587 October 18, 9 p.m. to Legation sent Department as London's 8907 and Department's 2111 October 30, 8 p.m. to Legation repeated London as Department's 8720

British and Legation recommend approval and would appreciate early decision.

JOHNSON

JMS

170
C
O
P
Y

CABLE TO MR. MCCLELLAND, BERN, SWITZERLAND, FROM DEPARTMENT AND WAR REFUGEE BOARD

Department and Board informed that Max Cohen, U.S. citizen by birth, born August 15, 1915, in St. Louis, Missouri, is somewhere in German-controlled territory. His last known address is c/o Nathan van Goervorden, Parkveg 78 Gronigen, Holland.

Please take all appropriate action to safeguard his life from enemy persecution and to insure his being placed in camp for civilian internees.

THIS IS WRB BERN CABLE NO. 389.

Jan. 30, 1944

EJJ-1507

PLAIN

Bern

Dated January 30, 1945

Rec'd 8:28 p.m.

Secretary of State,
Washington.

US URGENT

659, Thirty

AMINTERESTS GERMANY CIVILIAN EXCHANGE.

Legation's 537, January 25 (London 257, Paris 92, Caserta 56).

Civilian group left St. Gallen at 9:15 a.m. January 30 and is scheduled arrive Geneva 4:06 p.m. same date. Civilians are expected leave Geneva for Marseille evening January 30. Lafoon will be aboard.

In addition two deaths reported Legation's 537, January 25 two more persons died at St. Gallen, Hedwig Weinberg No. 152 of Legation's 533, January 25 and Alfred B. Spanjaard, No. 279 of Legation's 531, January 25.

Of the group billeted at St. Gallen eight listed below were declared nontransportable by Swiss and remain hospitalized in Switzerland. Chronological numbers are those contained Legation's 533, January 25 unless otherwise indicated. No. 31 Freund 41 Hasenberg No. 42 Hasenberg 70 Kneller 90 Lessinger 92 Levy 151 Weinberg 350 of Legation's 531, January 25 Freedmann.

Repeated to London to Paris for SHARF and SOLOC to Caserta and to Marseille for Hodgdon.

HUDDLE

MM

DE-1492

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

Bern

Dated January 30, 1945

Rec'd. 6:20 p.m.

Secretary of State,

Washington.

US URGENT

661, January 30, 6 p.m.

AMERICAN INTERESTS, GERMANY. CIVILIAN EXCHANGE.

Legation's 659, January 30.

Swiss Foreign Office official states orally that commandant of train carrying civilians from St. Gallen to Geneva authorized the removal at Baden of Rachel Fuldauer (number 33 of Legation's 533, January 25) because she was in dying condition and that her two children (numbers 34 and 35 of the same telegram) were removed with her.

In agreement with Lafoon Swiss Foreign Office was informed on inquiry that in view of age of children, the manifest humanitarian consideration involved and the desire to avoid delay in departure of civilian trains from Geneva for Marseille these persons may remain in Switzerland pending Department's decision provided they are considered as being in Swiss custody and not permitted to reside with possible relatives in Switzerland.

Please instruct whether Department will insist on delivery of Fuldauer children in the event their mother dies. In the event that the Department does not so insist it may possibly wish to discuss with WGB their maintenance in Switzerland.

Repeated to Paris for transmission to Marseille for Lafoon.

HUDDLE

JT

EK-1555
Distribution of True
reading only by special
arrangement. (SECRET W)

Ankara

Dated January 30, 1945

Rec'd 10:40 p.m.

Secretary of State,

Washington.

152, January 30, noon.

FROM KATZKI TO PEHLE WAR REFUGEE BOARD. Ankara's
No. 8. See Department's 95 WRB 138.

The activities of the War Refugee Board in Turkey in my opinion do not warrant maintaining an office there any longer. Emigration which might take place in the future from Rumania or Bulgaria will be of a normal type and not in the nature of rescue activities. The absence of board representatives in those countries leaves us without independent sources of information in those areas and communications through ordinary channels are irregular and not dependable. This renders impossible the orderly organization or direction from Turkey of whatever rescue activities from enemy or enemy occupied areas might be undertaken with Sofia or Bucharest as centers.

I recommend therefore that unless forppaltpy reasons you deem it desirable to maintain representation in Turkey you direct me to close the board and return to Washington for consultation. Under those circumstances please advise me: (1) What disposition you wish to have made of our files. Shall they be sent to you by pouch for your records or left in Turkey.

(2) What dispositions shall be made of office inventory (see Department's 980 WRB 123). We understand that the State Department has issued instructions that surplus supplies of governmental agencies abroad be delivered to local FEA representatives and the representative in Istanbul is willing to accept such supplies from us.

Miss Bixler will accept employment for another governmental agency in Turkey and you will be advised in due course of the effective date of her resignation. I recommend that Mrs. Henderson remain in Istanbul for approximately four weeks after my departure for whatever details might remain unfinished. Thereafter she will return to Washington and the American Embassy in

Ankara or the

-3-#152, January 30, noon, from Ankara

Ankara or the Consulate General in Istanbul will be able to follow up whatever remains unfinished at that time.

I have discussed the recommendations in this telegram with Ambassador Steinhardt who is in agreement.

STEINHARDT

WGB

HJJ-1707
Distribution of true
reading only by special
arrangement. (SECRET W)

Ankara
Dated January 30, 1945
Rec'd 12:12 p.m., 31st

Secretary of State,
Washington.

188, January 30, 1 p.m.

FROM KATZKI TO PHILS, WRS. ANKARA'S NO. 9.

We are informed by Jewish Agency representatives in Istanbul that Dr. Ernst Marton received no reply to his memorandum to the Rumanian Government proposing the exchange of certain enemy nationals held in Rumania for deportees from Transylvania (see Embassy's 2225, Ankara's 188 and Department's 103, WRS 139). No additional information has been received in Istanbul from Rumania regarding the memorandum.

The New York Jewish Telegraphic Agency news bulletin of December 13, 1944 received in Istanbul, carries an item with a Bucharest date line summarizing the response by the Hungarian to the Rumanian Government to the latter's proposal that the International Red Cross send a commission to investigate the fate of Transylvanian deportees. According to this item the Hungarian Government denied the allegations upon which the proposal of the Rumanian Government was based.

STEINBAUM

JT

NOT TO BE RE-TRANSMITTEDCOPY NO. 4SECRETOPTEL No. 35

Information received up to 10 a.m., 30th January, 1945.

NAVAL

1. NORWEGIAN WATERS. Night 28th/29th, Aircraft from two of H.M. Escort Carriers attacked shipping off Norwegian coast damaging two ships and setting third on fire without loss.

MILITARY

2. WESTERN FRONT.

Southern Sector: There is nothing to report.

Central Sector: Troops of 3rd U.S. Army have crossed German frontier in Ardennes area at several points. New attack by 1st U.S. Army made considerable progress N.E. St. Vith.

Northern Sector: British 2nd Army continues mopping up Heinsberg area.

3. EASTERN FRONT.

East Prussian Sector: Russian forces made further advances north and south Konigsberg and now within few miles of city on three sides. Advances also made west Rastenberg while German attempts breakout N.W. Allenstein repelled.

Central Sector: Russian forces have crossed German

frontier north and west of Posen and now within 30 miles Landsberg. In Silesia further progress reported south of Katowice.

4. BURMA.

Central Sector: Our troops occupied Pauk and Thamadaw without contact. Other troops in contact enemy north bank Irrawaddy four miles N.W. Sagaing.

AIR

5. WESTERN FRONT.

Night 28th/29th. 764 Bomber Command aircraft (10 missing) attacked Stuttgart (1977 tons) and Berlin (78 tons), over former thick cloud.

29th. 142 Lancasters attacked railway centre Krefeld Uerdingen (648 tons). 1094 U.S. heavy bombers (5 missing) escorted by 673 fighters attacked railway and other targets Western Germany (2781 tons).

SHAEF (Air) aircraft 488 flew offensive sorties Southern sector and 235 northern sector.

6. MEDITERRANEAN. 28th. 316 tactical aircraft attacked communications Northern Italy.

7. BURMA. 27th. 446 tactical aircraft attacked variety targets Mandalay/Shwebo/N, Shan States areas.

HOME SECURITY

8. ROCKETS. 6 incidents reported. Additional incident morning 28th since reported.

OPTEL No. 34 not sent to Washington

Regraded Unclassified

January 31, 1945
9:43 a.m.

HMJr: Hello.

Operator: Mr. Clayton.

HMJr: Hello.

Will Clayton: Hello, Henry.

HMJr: Yes.

C: Good morning.

HMJr: How are you?

C: I thought I ought to tell you about a telephone conversation I just had with Monnet.

HMJr: Yeah.

C: He called to ask if I saw that article in the paper.

HMJr: Yeah.

C: And I told him that I did.

HMJr: Yeah.

C: And -- well, he was afraid that that would be published in France, and if so it might cause considerable concern on the part of a good many people.

HMJr: Yeah.

C: And I said I realize that, and he said he had no idea where the fellow got his information and that it was disturbing, and he felt -- wondered if -- if his press man and ours hadn't better get together and put out some sort of press release on the subject. And I said to him that my quick reaction to the suggestion was that the necessity for doing something lay in the field of French public opinion and that I thought that if he would give out a simple little statement to the effect that so far as the ships were concerned, that if there was any difficulty about that, he had not been so advised and that is a fact, and I don't think there is any trouble about it; that so far

- 2 -

C: Cont'd. as a single French import program was concerned, that discussions were going on and they were making progress on it.

HMJr: Yeah.

C: And that he was hopeful that, in the end, they would reach a satisfactory conclusion; that so far as lend-lease was concerned that discussions were proceeding rapidly and regularly on that subject and that he was confident that a satisfactory solution would be reached. Well, he said that he thought that was the right way to handle it. I'm just giving you quickly what we said. And that he would have his press man prepare a release on the subject and talk to McDermott about it over here and they'd get something out today.

HMJr: Well, hasn't Oscar Cox been in touch with you?

C: Not about this.

HMJr: Well, he called me at a quarter of nine at my home. I had called you earlier. And he has since then read -- he dictated a statement to one of the young ladies in my office here.

C: Uh huh.

HMJr: That he wanted to be given out over your name and Crowley's and Monnet's and mine.

C: Yeah.

HMJr: And so I took it for granted that he'd been in touch with you.

C: No, I haven't -- he hasn't got me, Henry. My -- my reaction to that is that that's -- that is just dignifying the thing too much. I think that so far as our country is concerned, I don't think we need to worry about it; but Monnet, I think, has got reason to be concerned about the reaction in France. And I think that the best way to handle it would be for Monnet just to make a statement himself and let it -- let it go on to France. It would be published in this country, of course. I think if you and State Department and all of us put out a public statement on the thing, it seems to me it's dignifying a newspaper story a little bit too much. All the stuff

C:
Cont'd.

that they've got is just on rumor.

HMJr:

Well, of course, I'm not ready to do anything more until I sit down with you, and I just -- I really want to know what's been going on for the last month, and I want the story straight, and I'm sure that you'll give it to me straight.

C:

What kind of story?

HMJr:

Well, I mean, this business like -- that the master agreement was going to be signed on a Tuesday, and just this thing -- it's in the story itself, that the whole -- that Twitty has -- I mean, these various things. I'd like to know how much of an agreement they were promised.

C:

Well, they were not promised, so far as I'm concerned, they were not promised anything; but on the 6th day of January we did meet with the -- with Harry White and Glasser, I think it was, from the Treasury, and Oscar Cox and our people, and we had a discussion.. We -- that was in the letter. And the -- both Oscar and Harry felt that we should go to a master agreement.

HMJr:

Harry White felt so?

C:

Yes.

HMJr:

Oscar

C:

Oscar suggested it and Harry said he thought that the conditions had changed so materially since the matter was previously discussed that perhaps the best way was a master agreement, but that he would have to clear it with you and he didn't know whether that would be the Treasury's position or not. That's my recollection of what he said, but it's that he personally agreed with Oscar, that perhaps that was the best way to handle it instead of a restrictive agreement such as we had prepared and such as had been okayed, I think, by the President and perhaps others. That all happened before I came into the Department.

HMJr:

Well, no, the President hadn't agreed to anything up to that time.

- C: Well, he agreed to one, I understand.
- HMJr: Well, I -- I -- I've got to get this thing so -- I mean, I can't -- I'm not questioning you but I can't understand that Harry White would have agreed to a master agreement.
- C: He didn't -- now, Henry, don't get me wrong. I didn't say that Harry agreed to it. Now, nobody agreed to anything. We -- we were just merely exploring the matter and discussing it, and Oscar Cox said, "Well, why do we go on with a" -- some of this happened before I got in the room because I was delayed, but I was told afterwards. Oscar said, "Why don't we go to a master agreement like we've got with everybody else instead of having this restricted form of agreement?" Which restricted form, as I understand it, the President had agreed to, but I'm not sure about that because, as I say, it came -- it happened before I came in. But I got in while they were discussing it and Harry said, well, he thought Oscar was probably right, but that he couldn't give any agreement or any release on the thing. He made it very clear -- until the matter had been discussed with you. And then some letters were exchanged and it was agreed, as you know, that we should not give the master agreement -- or sign the master agreement until we could come to some understanding with the French on their gold and dollar balances.
- HMJr: Well, didn't White raise that?
- C: Not at that time. Not on the 6th day of January. He didn't agree to anything.
- HMJr: I see.
- C: He merely -- he merely said that -- there may have been some discussion about the gold and dollar balances -- I don't recall -- but he merely said that he thought what Oscar said made a good deal of sense, but he was not in a position to say definitely until he had discussed the matter with you.
- HMJr: Well, who, from the State Department, because I -- I'm really upset about the thing -- who from the State Department can come over here and go back

HMJr:
Cont'd. to last June or July when this thing started and give me this time table right down to date?

C: Well

HMJr: Because I'd like to know as much as the newspapers know anyway.

C: I expect that the best man might be -- I expect that Pete Collado, because he's had more to do with it than anybody. But maybe Livey Merchant, if Livey is still here. I think

HMJr: Well, does Dunn know this story?

C: Jimmy Dunn?

HMJr: Yeah.

C: No. No, he's had -- he's had almost nothing to do with it because, as I understand it, because -- not since I came here anyway.

HMJr: Well, if you don't mind -- I mean, I -- I'm not going to move on this thing until I -- I get to the bottom of what's been going on and I don't know about.

C: Well

HMJr: And I really would like to sit down with you and with White and get Oscar over here, and I'd like to get a time table, because I'm going to be asked by the press where this thing stands and evidently there have been things which are going on which ~~the~~ newspapers know about, which I don't. And I'd like to get to the bottom of it.

C: Well, the best man to -- to give you the diary on it, and give the whole story from beginning to end, I think, is Pete Collado.

HMJr: Well

C: And I can bring him or if Livey Merchant is here, he might be almost as good.

HMJr: Well

C: I'll bring Livey. But I'm afraid Livey may either have gone or getting ready to go to France with Judge Rosenman.

HMJr: Well, Rosenman is here.

C: Yes, he's still here.

HMJr: Could you do it this morning?

C: Let me look at my calendar. I have -- I have this staff meeting that I must go to, and I can cancel engagements I have and I could probably start at eleven -- at eleven-thirty. I have an engagement for lunch but I can put that off. I can start at eleven-thirty, Henry.

HMJr: Well, I wish you would, Will, because I want to be on the right basis with you. See?

C: Yes.

HMJr: And I can't be in a tricky, difficult deal like this and have people shooting at me, unless I know all the facts.

C: Yes. All right, I will -- I will arrange for Livey Merchant to meet with me in your office at eleven-thirty.

HMJr: Will you do that?

C: I'll do that.

HMJr: Hello?

C: Yes.

HMJr: I don't mind if you want to bring Pete Collado. It's all right as far as -- if he's got the story, bring him along.

C: Well, he's got it better than anybody.

HMJr: Bring him as well.

C: Well, I think that the fewer the better, and if you don't mind if I bring, I'll bring him, because he knows it better than anybody.

HMJr: All right.

C: And it won't be necessary to bring Livey.

HMJr: I'm going to ask Oscar Cox to be here. Hello?

C: Surely.

HMJr: And I'm going to try to get Jack McCloy.

C: Well, he has a very important meeting in his office at eleven o'clock which I told him I couldn't attend.

HMJr: Oh, oh.

C: On the French franc thing and you've undoubtedly got somebody that's going to be at that meeting, so I doubt if he could come.

HMJr: Well, I'm going to invite him anyway.

C: All right. Fine. I'll be at your office at eleven-thirty with Pete.

HMJr: Thank you.

C: Thank you.

January 31, 1945
9:55 a.m.

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HMJr: Jack.

John
McCloy: Yes.

HMJr: How are you?

M: How are you? I see they -- somebody was smart
in the Government yesterday and talked about this
French business.

HMJr: Yes.

M: There's always some S.O.B.

HMJr: That's calling it about right.

M: Yeah. Yeah.

HMJr: Well, now, I've just been talking with Will Clayton,
and Cox called me early, and they wanted a joint
statement, and Clayton doesn't want to give out a
joint statement, and I think he's right.

M: Yes. Yes.

HMJr: And he said it's up to Monnet to make a statement.
Now, I asked Will -- I said, before I did anything
more, there seems to be a lot that has been going
on which I haven't been informed about.

M: Yes.

HMJr: I mean agreements and promises, and so I asked him
when he could come over and he said eleven-thirty.

M: Yeah.

HMJr: And I'm trying to get hold of Oscar Cox. So, I
said, certainly when I face the press, I want to
know what people around this town have been
promising.

M: Yeah. Yeah.

HMJr: So he said he would come over at eleven-thirty. And
I said I wanted a time table on just what promises
had been made to the French Government.

M: Yes.

HMJr: I wonder by any chance if you could come.

M: Well, I've got a meeting on this French franc business at eleven o'clock which I was very anxious to deal with, but I suppose I could call that off. I think this is probably more important.

HMJr: Well, it's just this way. I really would like to get to the bottom of it because I think -- they certainly didn't put the War Department in a good light.

M: Oh, no, they make the War Department look as if they're -- they're bucking not only the French, but their own Government.

HMJr: Yeah. And I don't know how you feel, but I know -- if what Twitty said in there is true, I -- there are a lot of people have been doing things that I don't know anything about and I want to get to the bottom of it. And I thought that on account of the position they placed you in, you'd like to, also.

M: Sure. Well, I'm very anxious to get to the bottom of the whole thing. I was looking forward to talking with either Glasser or Harry White to bring me up to date with what you were doing.

HMJr: Well, if you'll come at eleven-thirty.

M: I'll be there at eleven-thirty.

HMJr: I'm going to be Bull Morgenthau.

M: (Laughs) Butch. Butch.

HMJr: Yeah, because somebody around this town has been making promises that I don't know anything about.

M: Yeah.

HMJr: And I want to find out.

M: Yeah.

HMJr: And I don't know -- and I'm not going to take it just sitting.

M: I'll be there at eleven-thirty.

HMJr: Wonderful.

M: All right. Fine.

January 31, 1945
9:58 a.m.

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HMJr: Hello. Hello.

Oscar
Cox: Yes, Mr. Secretary.

HMJr: Oscar.

C: Yes.

HMJr: I've just talked with Clayton, who was talking
with Monnet

C: Yeah.

HMJr: and Clayton knew nothing about this article --
this statement which you suggested.

C: Yeah.

HMJr: He said he hadn't heard from you.

C: No, I haven't talked to him.

HMJr: Well, he doesn't want to give out any joint state-
ment and he told Monnet if he wants to give out
something, he should give out something.

C: Yeah.

HMJr: Then I said that I just wasn't going to do anything
until I got to the bottom of this thing and find
out who has promised what to the French.

C: Right.

HMJr: And I've called a meeting at the office to which
Clayton is coming, and Jack McCloy is coming.

C: Yeah.

HMJr: And I hope you'll be here.

C: Yes, sir. What time?

HMJr: Eleven-thirty.

C: All right. I'll be there.

HMJr: But there's been a lot of promising going on around here and I'm going to get to the bottom of it.

C: Right.

HMJr: Because I'm not going to be sitting here in part of negotiations when somebody has been promising things -- the French things which I don't know anything about.

C: Why, of course.

HMJr: And evidently there have been a lot of promises made.

C: Well, I think the other thing you ought to get after is where this story came from, and I would urge that we put the F.B.I. on the thing.

HMJr: Oh, now, that's silly.

C: Why?

HMJr: Oh, they'll never find it out.

C: I know, but even if they don't find it out, it certainly will be a deterrent for the next one, isn't it?

HMJr: I don't believe in putting Secret Service or F.B.I. on newspaper men.

C: No, but

HMJr: I won't have any part of it.

C: Okay.

HMJr: I don't know whether you know how funny you were this morning.

C: No.

HMJr: But when I told you -- I said, "Well, I think a lot of these stories come out of the F.E.A.", you said, "Well, not this one," which gave me a good laugh.

C: Well, we

HMJr: You don't think it's funny. I think it's funny.
C: I do think it's funny.
HMJr: (Laughs) All right.
C: And we'll tell you when we put a story out from F.E.A.
HMJr: (Laughs) Okay.
C: Right.
HMJr: I'll be waiting -- listening.
C: Fine.
HMJr: All right.

January 31, 1945
10:00 a.m.

GROUP

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

H.M.JR: I am sorry to keep you waiting. Bell and Gamble, I would like to have you two gentlemen for lunch today.

(The Secretary leaves conference temporarily.)

MR. C. S. BELL: Which Bell did he mean.

MR. D. W. BELL: I accepted.

MRS. KLOTZ: He knows you have no time to eat today.

(Secretary re-enters conference.)

H.M.JR: Where is Glasser? Are you going to that meeting with McCloy?

MR. GLASSER: At eleven o'clock?

H.M.JR: You are not going. He is coming here at eleven-thirty. It has been called off. I am going to have a meeting at eleven-thirty with Clayton, McCloy, our own people, and Cox. I am going to get to the bottom of this stuff, what the Treasury has been doing and what everybody else has been doing. Everybody knows about it except myself, and I am going to find out at eleven-thirty.

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MR. D. W. BELL: There was quite a piece in the paper this morning.

H.M.JR: Everybody knows about it but me, so I am going to stop short and prepare myself for this. I hope we are all right.

MR. LUXFORD: The story in the Post, so far as I can see, sounded pretty good from your point of view. What they emphasized was you were insisting that the French use some of their gold. I thought it was much better than those stories ordinarily are.

H.M.JR: When Twitty walked in here the story was I threw a monkey wrench in the whole thing. It was supposed to be settled. I didn't know anything had been signed last Tuesday. Did you know, Harold?

MR. GLASSER: No, they may have told that to Monnet, but it was State and FEA that told them.

H.M.JR: By the time Twitty got out of here I think I got over this business about gold, but, of course, it looks as though the Army--we threw it all on the Army, but it is outrageous. I am plenty good and mad; and if Clayton is going to do this, I told him he had better come right around here. He is cooperating.

MR. DuBOIS: That story came from Oscar Cox.

H.M.JR: Oscar called me up at quarter of nine this morning, and he had this statement all ready that he wanted me to give out, so I said, "Well, Oscar, it is outrageous," and so forth. I said, "Oscar, most of these stories come right out of FEA."

He said, "Not this one." (Laughter)

He just laughed. I had him on the phone again, and he said, "I think we ought to put the FBI on this," so I said, "I don't want the FBI or Secret Service on any newspaper man; I am opposed to it."

He said, "Well, we should."

I said, "Oscar, you didn't seem to think it was funny this morning. I told you I thought that it came out of FEA, and you said, 'Not this one.'" He gave the weakest laugh you ever heard.

MRS. KLOTZ: The Secretary rubs it in, and I get a sinking feeling. When I know he is lying, I just can't take it for him. (Laughter)

H.M.JR: What makes you think it came out of Oscar's shop?

MR. DuBOIS: It sounds like the same technique he uses all the time. It is the sort of story he would give out.

MR. LUXFORD: He even anticipated that answer, because he said, "If there is any denying to do, let Monnet do it."

Do you have anything, Charlie?

MR. C. S. BELL: Yes. Would you want to see this letter to Saxon? I am still holding that.

H.M.JR: Is he ill?

MR. C. S. BELL: He has ulcers of the stomach. I think he is coming around all right.

H.M.JR: Let's let it go.

MR. C. S. BELL: Did you want to hand Mr. Friedman his letter? You know, he wasn't in the day we had the other two.

H.M.JR: Let that go.

MR. C. S. BELL: And here is a letter to Lesser you might want to sign, appointing him General Counsel of Procurement. (Hands Secretary letter dated January 31, 1945, from the Secretary to Mr. Lesser, which the Secretary signs.)

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MR. PEHLE: He is doing a very good job, Mr. Secretary.

MR. C. S. BELL: Pehle wants to promote Silvermaster to eight thousand, and I think it is a good promotion. He gets sixty-five hundred now, and he is worth it. Silvermaster is a very outstanding person.

Tom Davis as Assistant General Counsel goes to sixty-five hundred in Procurement.

H.M.JR: Pehle is expensive.

MR. C. S. BELL: There are two other appointments, Armstrong and Herren.

H.M.JR: We have Silvermaster--

MR. C. S. BELL: ...and Tom Davis. He has been Assistant General Counsel for a long while; he was under Thurman Hill.

Here are Herrin and Armstrong, two new appointments, both of them for CAF-14, sixty-five hundred. They are reasonably good.

MR. PEHLE: Armstrong has transferred from Budget. He is a very strong man. Herrin is a warehouse man; he is not as strong as he could be. We have combed the country; the Army has almost everybody. He is the best we can get, and we are only taking him for six months to see if he works out.

MR. C. S. BELL: I think they are all right, sir.

H.M.JR: At what price?

MR. C. S. BELL: Sixty-five hundred.

H.M.JR: Well, I don't know. I have to give Pehle enough leeway to make good.

MR. PEHLE: ...to hang himself.

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MR. C.S. BELL: He sees these fellows and knows what they have.

Would you want to authorize Shick to go ahead with Joe DuBois on this history? I have had Shick talk with DuBois, and we are still holding up on that.

H.M.JR: Sure, if you can get him, it would be wonderful.

MR. DuBOIS: We were going to start on war crimes. I don't know to what extent we want war crimes material turned over at this point. If you want to, it is all right.

MR. C.S. BELL: That is the crop for me. I wonder if I could be excused.

H.M.JR: Yes.

I would love to see what success he has. Maybe he can get started writing up my trip to England, too.

MR. C.S. BELL: He will be good; I know you will be satisfied.

(Mr. C. S. Bell leaves the conference.)

MR. LUXFORD: Your trip will be interesting reading to you, anyway, when you get it. (Laughter)

MR. PEHLE: Maybe you can read it during the next trip.

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H.M.JR: Glasser was to go to Italy. We got him to write up the trip before.

MR. GLASSER: That is right. I have to report before I make the second trip.

H.M.JR: You are still here. What are you doing?

MR. D.W. BELL: Writing up the first trip. (Laughter)

H.M.JR: Somebody ought to contact Colonel Bernstein, too. Who sees him?

MR. LUXFORD: We all see him.

MR. GLASSER: He is in New York today, but he will be back tomorrow.

H.M.JR: He ought to go back to the war and see what is popping, and everything, if he is going to have anything to do with the financial setup.

MR. DuBOIS: He expects to go back the first week in February.

MR. D. W. BELL: That is next week.

H.M.JR: Get word to him when he gets back that I would like to see him. I told White this yesterday, Dan.

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MR. D.W. BELL: I have a letter from Bob McConnell you would be interested in reading on German reports. He has some sketchy material on various industries which isn't complete, and he isn't satisfied with it, but he is willing to turn it over; but I think you would be interested in his change of views on the German situation.

H.M.JR: Better or worse?

(Hands Secretary letter to Mr. D. W. Bell from Mr. McConnell, dated January 23, 1945.) (Book 811, page 402)

MR. D.W. BELL: The more he goes into the industrial setup he is satisfied there is material for a future war, and that is what they are planning.

MR. DuBOIS: He was violently against it.

MR. D.W. BELL: Yes, he was.

MR. GASTON: I didn't get quite that impression. I got the impression Bob was a slow-going, thoroughgoing sort of fellow, and he wanted a lot of data before he made up his mind.

MR. D.W. BELL: He was opposed to taking the drastic steps that were being proposed at the time. Certainly, before he got the data he wanted to study the whole industrial setup.

MR. O'CONNELL: He didn't take any opposition, Dan. He was unwilling to agree with the position taken at that time. I think we got the impression he was not sympathetic to it, but he was not sympathetic on the other side. Anyway, it is very interesting.

MR. D.W. BELL: We have taken up with you two or three times the matter of employing Japanese-Americans in our various Treasury offices. We need personnel in our disbursing offices to get out these refund checks, and need it badly. Mr. Allen says he probably could hire from twenty to twenty-five Japanese in various sections of the country if you permit it, for this temporary period.

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H.M.JR: You couldn't do it all in one place and have it work as a section, the group.

MR. D.W. BELL: We could confine it to one place.

MR. GASTON: I don't like it. It seems better to treat them like anybody else. Employ them without discrimination.

MR. O'CONNELL: These are American born Japanese.

MR. D.W. BELL: They are citizens and certified by the Civil Service Commission, and I think that we ought to do it. It is being done in other places.

MR. O'CONNELL: If you can't use them to do the work in connection with refunds of excessive taxes paid in 1943, I am afraid you are never going to be able to treat them as decent human beings.

MR. D.W. BELL: Before you laid down the rule, it was done in a few places and they got very good results. They say they were very good. Two or three people were put on the rolls.

H.M.JR: Well, you know, I am amused at you. You wouldn't take a woman in Foreign Funds whose uncle or somebody was in Germany, and Senator Barkley took it up with me.

MR. PEHLE: ~~I~~ Don't have any recollection of that incident, but your memory is better than mine. I earlier urged that we take Japanese.

H.M.JR: This woman was an American citizen, and just because her uncle, or father, or somebody, was living in Germany, you wouldn't have her.

MR. PEHLE: I don't think we were very far extreme on that situation, but I would say this, that where you are dealing with Foreign Funds, with the most secret type of information, there is some possibility of saying you have to be careful. I don't think we were doing it because somebody was born in Germany. My father was born in Germany, and I am certainly not--

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H.M.JR: So was mine.

MR. PEHLE: And I am not a person to draw lines on that account.

MR. DuBOIS: If her husband was under German pressure, possibilities may exist by virtue of that fact, but I can't imagine it was because she was German.

H.M.JR: Well, I just don't want you boys to get too moral with me.

MR. PEHLE: On the Japanese people, I would be inclined to be very moral, Mr. Secretary. To say these people must all be branded because of their race--it gets very close to what Hitler believes, and I think if we let ourselves go down that line, we are taking the first step in the direction of saying we are discriminating against Catholics, or other people.

H.M.JR: No, I mean the feeling against the Japanese is because they are war-like people, wanting to make war on other people, and not because they haven't worshipped in a definite manner. I mean the Hitler thing is a--

MR. PEHLE: That's the ground Hitler put it on. He put it on the ground that there is some taint in the blood, and the experiences the Army has had with Japanese fighting, they are very good, and if California is willing to accept these people back in the middle of a war with all the racial feeling back there, the least we could do is let them continue with the checks.

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

MR. GASTON: I am very much against any discrimination against native-born Japanese, unless there is an individual reason.

MR. LUXFORD: Only on the same basis you would with anyone else.

H.M.JR: Well, I don't apologize for anything in the past, see, but--

MR. D.W. BELL: It was different when you first started. You might have had some different grounds.

H.M.JR: It doesn't bother me one bit, but now I am willing to go along.

MR. D.W. BELL: O.K.

H.M.JR: What I stood for in the past doesn't bother me one bit. A lot of these wonderful Japanese-Americans have declared themselves as willing to give up their citizenship and wanting to go back. Have you ever been to Hawaii?

MR. PEHLE: No, sir.

H.M.JR: Well, I have, and I have seen them go to school in the day time up to four o'clock, and after four o'clock go to Japanese schools, the American born Japanese.

MR. PEHLE: Even that, I think, is a very bad line to draw.

MR. GASTON: They haven't had one incident, as far as I know, about any trouble with these Japanese in Hawaii.

MR. PEHLE: No cases of sabotage in Hawaii have been proved.

MR. GASTON: In the whole Pearl Harbor thing, not a thing could be proved against them.

H.M.JR: You had a group of people sign up and give up their American citizenship--

MR. PEHLE: That is not this group.

H.M.JR:...during the past six months.

MR. PEHLE: Sure, there are disloyal people among them, and among German connected groups, too.

H.M.JR: If we had taken these people six months ago,

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we might very well have had some of them, like some of the people working since then with the Department of Justice, sign a piece of paper and say, "When the war is over we want to give up our American citizenship." There was a big group of them, Biddle has announced.

MR. PEHLE: After Pearl Harbor when nobody knew how the war was going to do, no protective measures were justified.

H.M.JR: I am willing to do it now. I am glad I didn't do it a year ago.

MR. LUXFORD: I think that is right.

MR. D.W. BELL: That's O.K.

At the last meeting of the Vinson Committee there was quite a bit of discussion about land values, and at the next meeting, which is a week from this Thursday, there is going to be a further discussion of it, and steps that can be taken to hold the values down. I think Eccles is preparing a rather elaborate memo which is going to be circulated before then for study. I have a suspicion that they will come out with a recommendation for some kind of taxes by long lines, I suppose. Last year, or was it two years ago, they made the same proposal, so we may have to consider something along that line.

You gave me a letter a couple of days ago that I handled involving a duplicate check. A man gave an address some place in Hawaii, and the duplicate check was on the way to him, and he turns up in New York, I think, so we have now issued him the second duplicate check and sent it to New York. We are going to stop payment on the duplicate that went to Hawaii.

Here is a case of interest to everybody. A man wrote to me from some place in Massachusetts and said he had been urged by the bank to put in large subscriptions for two percent bonds, and said he can sell them out afterwards, and this had the approval of the Treasury. I wrote him back and told him that it did not have the approval of

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the Treasury, and it was especially what we had asked every bank to prohibit. He writes now a very nice letter and says, "Thank you very much for your nice letter explaining that the Treasury was firmly against banks loaning to individuals to buy bonds during a Drive. I have taken action to see that the bank does not do it again, and regret that I did not more vigorously oppose it when it was first presented. I was in a difficult position as I had been severely critical of the bank for not taking a more active part in promoting the sale of bonds. I am enclosing my check in the amount of three hundred and seventy-seven dollars and fifty cents, which was my profit from the transactions of deducting expenses and taxes. Will you kindly use it for proper war bond promotion, or turn it over to the Government Conscience Fund?" (Laughter)

MR. GASTON: Is he an officer of the bank?

MR. D.W. BELL: I don't think he is. He is just a citizen. "Hobby House in Hockanum, South Hadley, Massachusetts." It doesn't give any bank. (Referring to letter to Mr. D. W. Bell from Mr. Roger Johnson, dated January 18, 1945.)

MR. PEHLE: How much money do you have to invest to make three hundred and seventy-seven dollars?

MR. D.W. BELL: He can buy two's and sell them out in a month and buy more.

H.M.JR: George Haas, I have you for lunch, too, please.

MR. D.W. BELL: That's all.

H.M.JR: Talking about War Bonds, you can go to the next publishers' meeting in my place. Having been once a publisher myself, the most I could do was try to keep from getting the giggles last night. They are so serious and pompous, and the secretary read a forty-five minute presentation. They had no sense of humor, and I said, "What has happened to the American businessman? You always had a lot of Government officials, and beautiful girls to entertain us." They just gave us a lot of figures. It was so uninteresting--

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no sense of humor. I thought the American businessman is certainly slipping, and they went through this thing, and of course, the whole business was to let them know how they got all this cordwood together, and how wonderful it was. So when they asked each of us to say a few words, I thanked them, and when they came to diplomas they said, "Mr. McNutt, do you want to say anything?" He said, "Yes. You boys are on the essential list. You will stay on it just so long as you will give me good publicity." (Laughter) I said, "Paul, at least you are bold." I swear! I thought, well at least you say what the rest of us think. (Laughter) It was the darndest meeting.

MR. GASTON: You just laughed it off.

H.M.JR: I said, "Paul, you are very bold", but that is exactly what he said.

MR. D.W. BELL: Straight from the heart.

H.M.JR: And the other thing that was amusing was Krug said, "We would like to get some of this publicity, but we can't muscle in on Treasury. They seem to get it all." That was another man speaking from the heart.

MR. GASTON: Did they ask you to get them more paper?

H.M.JR: No. They claim that due to their spending this money, that the public have been able to get a million and a half cords. They have consumed six hundred thousand. This year they are going to cut three million cords extra, and the inference was, you leave us alone. We are doing such a wonderful job.

MR. GAMBLE: Their problem isn't so much paper as manpower--the magazine people. They use a different kind of paper.

MR. O'CONNELL: It's still paper.

H.M.JR: You can go to the next one. Those kind of meetings you can go to.

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MR. GAMBLE: That's all I have been doing for three and a half years.

H.M.JR: When Hollywood puts on a show, I go.

MR. LUXFORD: We had a meeting with Eccles on the form of Bretton Woods legislation, and we talked for a couple of hours trying to get--

H.M.JR: You talked in the meeting with Eccles?

MR. LUXFORD: No, I said we talked. We got about ten minutes to talk in that two hours, but we tried to get him to go along with the draft, not naming a board in the legislation, and it is quite all right with him that we introduce it that way; but he still insists he wants to express a view in the Committee for a board, and that's the way we left the matter. I will state back all the way they said they would, and there is a bare chance that ultimately Eccles will go along with us, but he would not concede yet.

H.M.JR: Eccles wants quite a lot from Bell and me just now. We are in a very good--

MR. LUXFORD: We tried to leave them with a very good compromise, but we couldn't quite get him to take it. First he had taken it and then backed out. What we wanted him to do was say he will go in there with no board provision. Then, if Congress begins to insist on a board, we will all unite behind this board he is talking about.

H.M.JR: Was this before the Legislation Drafting Board?

MR. LUXFORD: We tried to settle this out of Court.

MR. D.W. BELL: A board just to handle the American policy end of it.

H.M.JR: Anything else?

MR. LUXFORD: That's all.

MR. BLOUGH: We had a very pleasant meeting with the Joint Committee yesterday morning, and the Report, Number 3, on Economic Outlook after the War was read to them. We were afraid there would be a repercussion because of the nature of the material, but there was not. Senator Taft was highly commendatory afterwards, and said it was the best thing he had seen any place, and Harold Knutson of Minnesota, from whom we expected disagreement, said he thought it was a fine report, and he didn't have any criticism, so we are through another week, I think, very successfully.

H.M.JR: This has been going on so long, but we just have to, I think, find a place for this fellow. I mean--

MR. O'CONNELL: Whose man is he?

H.M.JR: Robert Doughton's. He has been after us for years on that thing, and some of these things get to the point of irritation. It's just not worth it.

MR. D.W. BELL: Are there two of those boys? We had one of the Kitchin boys over here at one time working on it, on mixed-claims work.

MR. O'CONNELL: I don't know.

MR. D.W. BELL: He wasn't brilliant, but he wasn't bad.

MR. O'CONNELL: There are a number of perennial candidates for Tax Court jobs; six are in the Department of Justice. One Senator George endorses every six months or a year, and one or two Mr. Doughton endorses, and one or two get a whole chain of Congressmen and Senators behind them.

H.M.JR: Mr. Gaston, you might be here, too, at three o'clock tomorrow.

H.M.JR: I was worrying last night. There is no reason why George should be as friendly toward me in the

future on account of the stand I have taken on Wallace, and therefore, I want to keep an anchor to the windward in Bob Doughton, and therefore, I think we better do something for Doughton.

MR. GASTON: I think so.

H.M.JR: I don't want to get Bob Doughton and George down on me, and I think we better do something for Doughton.

MRS. KLOTZ: Look at Joe DuBois' face.

H.M.JR: Those are the facts.

MR. D.W. BELL: I agree.

H.M.JR: Those are the facts of life. The facts of life, bees, flowers and jobs.

MR. D.W. BELL: I was a little afraid of that statement in your relationship with George. I think you are skating on thin ice.

MR. BLOUGH: George said not one word at the meeting yesterday. Vandenberg joshed me ahead of time and said that this was part of the Wallace business. I was very serious with him that there was no connection, so he kept still in the meeting, and nobody else raised the issue, so we were all right. But there was a good deal of undercurrent in various conversations, and every once in a while the word "Wallace" would come up.

H.M.JR: It's bitter, and I want to keep Mr. Doughton as a friend.

MR. PEHLE: You are going to need him.

MR. GASTON: I think this Kitchin case is not a matter of preserving any fences of his. It's an old loyalty. He feels obligated to take care of Claude Kitchin's people.

MRS. KLOTZ: He says so.

H.M.JR: All right.

MR. BLOUGH: That's all.

MR. GAMBLE: There is nothing we can't discuss at noon.

H.M.JR: Mrs. Morgenthau said she had a very satisfactory lunch with you. She didn't tell me what happened. That's all she said. George?

MR. HAAS: I have nothing.

(The Secretary holds a telephone conversation with Mr. Doughton.)

January 31, 1945
10:35 a.m.

HMJr: Hello.

Robert Doughton: All right.

HMJr: Bob.

D: All right, Henry.

HMJr: If you would send -- is it Mills or Miles Kitchin?

D: Mills -- M-i-l-l-s.

HMJr: Well, if you'd ask him to come over to see me about three o'clock tomorrow, I'd

D: How's that?

HMJr: I would like to see him about three o'clock tomorrow.

D: That's fine. I just dictated a letter to you just now in answer to your message you sent -- letter you sent me by hand.

HMJr: Yes.

D: And that was that it's not necessarily a Judgeship in the Board of Tax Appeals, but anything that is commensurate with his qualifications and experience. He's been there a long time.

HMJr: Yes.

D: And I'll tell you what Judge Heines, from the ~~middle~~ district of North Carolina, told me.

HMJr: Yeah.

D: He said he appeared in his court frequently and -- important litigations -- and he says he's equal to any attorney that the corporations can employ. He says, "He holds his own most successfully in my court and is the full equal of any corporation lawyer that appears in my court."

HMJr: Well, any friend of yours is a friend of mine, Bob.

D: Well, he's the one -- you see, Claude Kitch n, you know, was chairman of the Ways and Means Committee here during the World War No. 1.

HMJr: Yeah.

D: Was here when I came to Congress.

HMJr: Well, he was a great man.

D: A great man -- and this is his son.

HMJr: Yeah.

D: And the son is named after his mother's family. He married a daughter of one of the teachers at Wake Forrest College.

HMJr: Yeah.

D: And that's where he gets the name Mills. And I am very deeply interested in him. He's a very fine fellow, and anything you can do will be greatly appreciated and I thank you for calling me.

HMJr: Well, you ask him to come over tomorrow.

D: About what time?

HMJr: About three o'clock.

D: I thank you. If I can -- I'll get in touch with him before that time.

HMJr: Thank you.

D: Thank you very much.

HMJr: Bye.

D: Good bye.

H.M.JR: That's the way he put it. It is his father. When Doughton came here as a young man from North Carolina, this fellow's father was nice to him.

MR. GASTON: Yes.

MR. D.W. BELL: Claude Kitchin was on Ways and Means Committee during the last war. He was a good chairman.

H.M.JR: He can call him up and tell him, "You go over and see Morgenthau." I am just building fences for you. You do the scientific work and I do the rough work.

MR. BLOUGH: build it well, Mr. Secretary, we need it.
(Laughter)

MR. HAAS: I haven't anything.

MR. GLASSER: At this meeting at eleven-thirty are we going to take up the question of the French exchange rate?

H.M.JR: I don't know, but by the time I get through with this varmint side of me, I don't know if there is any time left, but I am going to stop this meeting in a few minutes and I am going to get down to this diary you have there. I am good and sore. I don't know where the axe is going to drop, so if there is any time between now and eleven-thirty, Harry White says this morning we have

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got to do it like this French franc business. I am not going to operate like that. We will do this French Lend-Lease first.

MR. GLASSER: One of the points is that if we want the French to do something about the franc, it might be involved in this discussion.

H.M.JR: You are going to have at least a half-hour with me, but I want to get the other thing first. Joe, you look very peaceful this morning.

MR. DuBOIS: I have nothing.

H.M.JR: You are all right.

MR. DuBOIS: O.K.

MR. PEHLE: General Rudenko's man Kamensky came in yesterday and wanted to know how we were getting along on the refinery thing. I said you were pressing Charlie Krug without any results so far, that we were pushing ahead, but we would let the General know. He said they cabled Moscow and told them this thing was getting worse and worse. It may be at some point in the Three-Power Conference there will be a cable come back here.

H.M.JR: You said Cox put up a good case yesterday?

MR. PEHLE: He put up a good case for seeing that the domestic refinery program comes first. My objection is that it is none of FEA's business. They ought to push for the highest priority they can get.

H.M.JR: He said the trouble was the refineries over there, and they are not building them very fast.

MR. PEHLE: They are building faster than they were, and the Russians say Stalin himself knows about this.

H.M.JR: Have you seen Cox?

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MR. PEHLE: I am seeing him today.

H.M.JR: See what you can get. I may ask the General to come down and see me and then let Cox come over here and explain it in front of me to the General, why he can't do it.

MR. PEHLE: Shall I ask Cox if he is ready to do that?

H.M.JR: Sure, tell him I am going to have him come over here. Crowley said he would do it just like that, and I will say that I want him to come over here and tell the Russian General, in my presence, why they can't do it.

MR. PEHLE: That is a good idea.

H.M.JR: DuBois is going to pay five dollars for a commission.

MR. PEHLE: I have nothing else.

H.M.JR: Joe, how are you feeling?

MR. O'CONNELL: I feel pretty good, thanks. I have nothing.

H.M.JR: If you would stay behind a minute, will you?

MR. GASTON: I haven't anything.

H.M.JR: Where do we stand now on the AF of L speech?

MR. GAMBLE: We have a meeting at eleven-thirty, Mr. Secretary, with Murray and Houghteling, and all the interested people. Houghteling is the originator of this with the Labor Union.

H.M.JR: See if you can get something over so Mr. Gaston and I can have a look at it.

MR. LUXFORD: Are you going to speak to Barth about your St. Louis speech?

H.M.JR: Yes.

January 31, 1945

Mr. Joseph B. Friedman

Office of the General Counsel

Sir:

You are hereby appointed Assistant to the General Counsel for the Department of the Treasury with compensation at the rate of \$8,000 per annum, payable from the appropriation "Salaries, Office of the General Counsel", effective February 1, 1945.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

*Mr O'C will. Hand
to Mr Friedman 1/31/45*

ovs

January 31, 1945

Mr. Lawrence S. Lesser

Washington, D. C.

Sir:

CS

You are hereby appointed Chief Counsel,
Procurement Division, with compensation at the rate
of \$8,000 per annum, payable from the appropriation
"Federal Property Utilization Program, Procurement
Division", to be effective February 1, 1945.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

*O.C. will hand to Mr. Lesser
1/31*

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE

January 31, 1945

TO Secretary Morgenthau

FROM J. W. Pehle

Re: Russian Refineries Program.

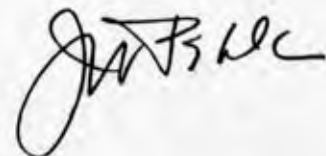
I talked to Oscar Cox today after he left your office. He stated as follows:

1. FEA stands firmly on its position that it will not ask for a higher priority for this equipment. Although obviously WPB decides ultimately the question of whether or not a higher priority may be granted in any particular case, Oscar feels that FEA must initially exercise its own judgment as to whether a higher priority should be requested and is strongly of the view that such a request would not be justified in this case.

2. I asked Oscar if he knew that WPB had been considering a proposal to take this equipment away from the Russians altogether. He admitted that he had heard of such a proposal. He did assure me emphatically that under present circumstances FEA would fight any such proposal. As far as I know, the Russians do not know that some consideration has been given to taking this equipment away from them.

3. I told Oscar that you proposed to have General Rudenko come to your office to discuss the matter further and that you would like him to be present to explain the FEA position. He said that this was entirely agreeable to him.

I assume that you will arrange to see Rudenko again.



January 31, 1945
10:43 a.m.

HMJr: Hello.

Charlie
Shaeffer: Mr. Secretary.

HMJr: Yes.

S: The committee understands this letter is a letter that you wrote to Jesse Jones introducing Goldberg, Herman Brandt and some other man and saying to Jones that anything that he could do for them would be appreciated by you.

HMJr: Well, I never -- I never wrote such a letter in my life.

S: Well, can I tell the Senator that?

HMJr: Well, can't you see the letter?

S: No, I haven't -- it won't be produced for about an hour, I mean the testimony.

HMJr: Well, I'm willing to swear on a stack of Bibles that I never wrote such a letter to Jesse Jones.

S: Uh uh. Well, may I tell the counsel that?

HMJr: What?

S: May I tell the counsel that?

HMJr: Wait a minute. Wait a minute. Both Pehle and Joe O'Connell are here.

S: Yes, sir.

HMJr: (Aside: What do you think?) Pehle and -- they say let them produce the letter.

S: And I do nothing except observe?

HMJr: Well, yeah -- let's see the letter.

S: Yes, sir. All right, sir.

HMJr: I mean, they keep changing the thing. First I've written this man. Now, I've written it to Jesse Jones?

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S: Yes, sir.

HMJr: Introducing who? Give me the names again.

S: Jacob Goldberg, Herman Brandt -- B-r-a-n-d-t -- and some other fellow.

HMJr: And this is a letter supposed to go from me to -- to Jones?

S: Yes, sir, introducing these three men and telling Jones that anything he can do for them would be appreciated by you.

HMJr: Well, if you want to make some money up there, you could bet anybody and give them odds I never wrote it.

S: All right, sir. They don't expect any letter to be introduced -- just this fellow's statement that Goldberg said that.

HMJr: Who -- who's going to testify?

S: Gold -- I mean, the engineer -- the engineer for the Defense Plants Corporation.

HMJr: Is Goldberg there?

S: I don't know. The hearing hasn't begun yet.

HMJr: Well, let me just talk with -- (Pause) -- Let's wait and see what -- this is an engineer who formerly worked for the Defense Plants?

S: Yes, sir.

HMJr: Well, let's see what he says.

S: All right, sir.

HMJr: And after all, what he says, by the time the boys write a story, you could get an answer in five minutes.

S: Yes, sir.

HMJr: And put out a statement.

S: All right, sir.

HMJr: All right.

S: All right.

HMJr: Thank you.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

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DATE

January 31, 1945

TO Secretary Morgenthau
FROM J. W. Pehle

For your information there is attached a copy of the letter which was sent to me, introducing Messrs. Brandt and Goldberg.



HERBERT BAYARD SWOPE
745 FIFTH AVENUE
NEW YORK

(22)

December 13, 1944

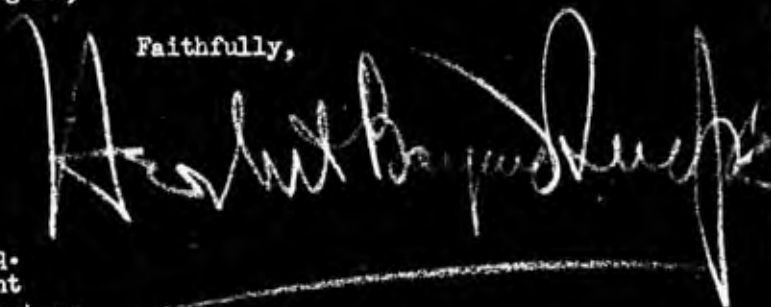
Dear John Pehle:-

I commend the bearers of this note, Messrs. Brandt and Goldberg, to you as possibly being in position to be of definite help in one of the big problems the Treasury is facing. They are experts in the disposal of surplus properties, with a record of successes, which, in Mr. Goldberg's case, dates back to the last war.

I rarely give letters of introduction but, in this instance, I believe that I am rendering a service in calling attention to the specific equipment they have which may prove of value to you. They have my confidence based on the warm recommendations they have received. Goldberg, as an auctioneer, works on the Baruch precept of "doing business in a goldfish bowl".

With regard,

Faithfully,

A large, handwritten signature in dark ink, appearing to read "Herbert Bayard Swope". The signature is written in a cursive style and is positioned to the right of the typed name "Herbert Bayard Swope".

John W. Pehle, Esq.
Treasury Department
Office of the Secretary
Washington, D. C.

January 31, 1945
11:00 a.m.

FRENCH LEND-LEASE

Present: Mr. D. W. Bell
Mr. White
Mr. Glasser
Mr. Clayton
General Hilldring
Mr. Mitchell
Mr. Collado
Mr. Cox
Mr. Davidson
Mr. Hannegan
Mr. McCloy
Mrs. Klotz

H.M.JR: Harry, are you through with Wallace?

MR. WHITE: We will have a statement for him by one.

H.M.JR: This is very important. Have you seen the Twitty story?

MR. WHITE: I read it this morning. He certainly got the facts, but I don't think he treated the Treasury too badly.

H.M.JR: He came in here ostensibly for another reason; he wanted to write a story on--you know. He said he understood that you and I threw a monkeywrench in this business.

MR. WHITE: That is the story he gave me over the phone, and he said he was going to see you.

H.M.JR: He did, and I don't care myself. Let me just see this thing. I can smell that something isn't

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right somewhere. I told Clayton this morning that I am not going to do any more until I know the facts.

MR. WHITE: You don't think you can find out from Twitty where he got it?

H.M.JR: I asked him if it came from American sources or French. He said, "I am not even going to hint to you where I got it."

Let me see, (reading memorandum from Mr. Glasser, dated January 30, 1945), "On July 6, 1944, State and FEA submitted a memorandum to the President outlining a lend-lease program for the French.

"This memorandum was not approved by the President. The French had a copy and claimed that the President had read the memorandum with approval to DeGaulle and wanted to negotiate on it. Mr. D. W. Bell inquired at the White House and discovered that the President had not approved it, had not discussed it with DeGaulle, and indicated that he did not want the lend-lease negotiated on the memorandum."

Was Bell in on this?

MR. WHITE: While you were up to Bretton Woods.

MR. GLASSER: Bell handled that when you were at Bretton Woods.

H.M.JR: He had better sit in on this, hadn't he?

MR. WHITE: I don't know what you want from him. Get him in if you are in any doubt.

MR. GLASSER: He knows a lot of the facts in that period. He worked on all the details.

H.M.JR: Is this the only copy you have?

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MR. WHITE: I have a copy. Let me get my copy. I will be back.

(Mr. White leaves the conference temporarily.)

H.M.JR: "On July 15, State, Treasury, and FEA sent a revised memorandum to the President which the President approved on July 18."

MR. GLASSER: Yes.

H.M.JR: Is that the one that came up to Bretton Woods?

MR. GLASSER: No.

H.M.JR: Which is Exhibit B?

MR. GLASSER: Here (indicating) is the covering letter.

MR. WHITE: What was this thing, the 15th?

MR. GLASSER: What are the terms? If you will look on this chart you can see the terms of all of them prepared very simply. Now, this is the 15th, civilian supplies and cash, industrial supplies and Lend-Lease credit, and long term cash. The important thing is the end of hostilities in Europe.

H.M.JR: But there is no date down here.

MR. GLASSER: This is what was discussed yesterday or day before yesterday in your office, the present proposal.

H.M.JR: I see. Is this your work?

MR. GLASSER: Yes.

H.M.JR: It is very good. When was it approved by the President, the 15th of July? Why didn't he go ahead?

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MR. GLASSER: The French refused to discuss those terms and said they wanted to wait until after we had the agreement on the de facto government. They didn't like the terms, and didn't want to discuss them. They waited until Monnet got back, and when he got back, he began working with Oscar Cox and Dean Acheson. Every proposal they made went beyond the President's agreed memo, and that is why they have never had a Lend-Lease agreement. They were never satisfied with what the President had approved.

H.M.JR: What about the memo to the President of September 11?

MR. GLASSER: That is the one that went to Quebec.

(The Secretary holds a telephone conversation with Mr. McCloy, as follows:)

January 31, 1945
11:13 a.m.

HMJr: Hello.

John
McCloy: Could I bring Hilldring with me?

HMJr: Sure.

M: Okay.

HMJr: Swell.

M: All right.

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MR. GLASSER: That is the one that went to Quebec, and the President turned it over to you.

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

H.M.JR: What happened next after September 11?

MR. GLASSER: You sat on it from September 11 until January 1. Around January 1 they began getting up a new draft, and the first draft came to us on January 13. That is about two weeks ago. That is when the discussions began over again. It went to Cabinet, you know, the day of the Cabinet meeting.

H.M.JR: Friday, a week ago, it went to Cabinet.

MR. GLASSER: What is the date?

H.M.JR: It must have been the 12th.

MR. GLASSER: The 12th? No, we heard of it then before; it must have been a week after.

H.M.JR: The 19th. It was on the 19th.

MR. GLASSER: They began working around January 1.

H.M.JR: It didn't come up in Cabinet until January 19.

MR. GLASSER: But this had been discussed with State, FEA, and Treasury around January 13. "On January 13, Grew wrote to Secretary Morgenthau saying that the lend-lease matter discussed at Quebec was dead." Now, that was on January 5--they brought us into the discussions on January 13. He wrote that letter and said--

H.M.JR: Now let me just get this thing. It is more interesting to me. "On January 5, State circulated a new draft of a lend-lease proposal which was similar to the proposal of the previous September. This proposal was discussed at a meeting in Mr. Clayton's office on January 6, at which time it was suggested by Cox and agreed to by Clayton that exploration should be given to a master

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lend-lease agreement of the British-Russian type and that the previous form of agreement be dropped."

Now, in talking to me this morning Clayton said White was there and raised no objection to that and didn't suggest at that meeting that they should pay cash--the cash thing should be settled before--

MR. WHITE: I was where?

MR. GLASSER: Mr. White said he would take it back to the Treasury and would discuss it.

H.M.JR: But raised no objection?

MR. GLASSER: The question there was whether there should be a master Lend-Lease agreement of the British-Russian type or the type we have been considering for the previous six months.

MR. WHITE: Are you talking about something at which I was present? Let me speak for myself. You mean the meeting called a week ago Saturday, the day after you had seen Monnet, and you said--

H.M.JR: This goes back to January 5.

MR. GLASSER: You remember, after we had the meeting in Grew's office then we went to Clayton's office and talked about Lend-Lease.

(The Secretary holds a telephone conversation with Mr. Clayton, as follows:)

January 31, 1945
11:16 a.m.

HMJr: Hello.

Operator: There you are.

HMJr: Yes. Yes, Will.

Will Clayton: Henry, we've just had a full discussion in a staff meeting about this newspaper article.

HMJr: Yeah.

C: We felt that we ought to give out some kind of a statement. Here's a very short one which I

HMJr: Well, now, Will, there's no use unless -- if I'm to have any part of it -- hello?

C: Yes.

HMJr: Until I've had a chance to go into this thing and find out where I'm at -- I'd like to know all the facts which I -- I'm repeating, I don't think I've been told.

C: Yes. Well

HMJr: Now

C: We're going to get at that, but this is so simple and I think you'll agree that this is the wise thing to do. There's going to be -- I mean they're going to -- we ought to give it out. These things ought to be met promptly, I think.

HMJr: Well

C: And I think you'll agree that this something that ought to be done.

HMJr: All right, let's hear it.

C: Now, this is what I've prepared for the Secretary -- for Mr. Grew to use in his press conference.

HMJr: Yes.

C: But he's not going to have one at twelve o'clock as he usually does, but we thought we'd give this to the press as it is. I think you'll like it.

C:
Cont'd.

"Discussions are proceeding satisfactorily concerning a French Lend-Lease agreement. We feel that these discussions are nearing a conclusion so that definite proposals may be presented to the French soon. The procurement and shipment of civilian supplies for France has not in any way been delayed by these discussions. We are satisfied that there has been no obstruction to the shipping arrangements worked out in the recent Hopkins-Law conversations. We believe that the agreed allocation of ships for the lifting of French civilian supplies during January, February and March is being, and will be carried out. (3) Conferences among U.S. Government Departments during the past few days have made excellent progress on the proposal to merge into one French National Import program all matters relating to the procurement, shipment and distribution of French civilian supplies." That's all it is. I think that is something that is simple and is direct and we could give it out at once. And I told McDermott, our press man, to get in touch with Harry White and Oscar Cox before giving it out, but I thought I ought to read it to you because I felt it would meet with your approval.

HMJr: Well, White's here in my office now.

C: Uh huh.

HMJr: Cox will be here in ten minutes and so will McCloy and Hilldring.

C: Oh, McCloy and Hilldring are coming?

HMJr: So why can't you wait ten minutes and read it to all of them at one time.

C: Sure, I'll call him back at once and tell him we'll do that.

HMJr: And then we'll do that as a first order of business and inasmuch as you're bringing in the War Department, I think you'd like them to see how they feel about it.

C: Well, we talked with the War Department about it. I didn't myself, but our people here did and they feel very strongly that they ought to give out something saying that there's nothing to this story that they've taken the ships and that's entirely all right with us.

HMJr: Everybody involved will be here in ten minutes.

C: Fine. Fine.

HMJr: If I

C: I'll hold Mac up until we meet.

HMJr: I thank you.

C: Thank you.

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H.M.JR: Let me just go back to the part that goes before September 15. I have got that pretty clear, but the January 5 item, number six--Harry, what Clayton implied over the phone this morning was that you said in his office when this discussion was being carried on that while you said you didn't agree to this thing--you would have to talk it over--you raised no objection. And I asked him if at that time you raised the question that we should have the gold discussion prior to the master agreement, and he said no.

MR. WHITE: I just don't remember. If he remembers, then he is right, but suffice to say I know I didn't agree with anything.

H.M.JR: What I tried to get--I didn't mean to interrupt you. Are you through?

MR. WHITE: I am sure I didn't approve.

H.M.JR: The point I was trying to make was you sat there and didn't agree, but on the other hand, you didn't raise any objection.

MR. WHITE: It doesn't sound like me not to raise any objection about the gold, because that is the way I felt right along. You know as early as the time we discussed this, on the plane going over to England--the suggestion was mine that we ought not agree because of the gold holdings. I didn't change my mind at any time. Although I don't remember the specific details of that meeting--I will have to think over and try to remember what was said--it doesn't sound reasonable that I would not raise it or agree to anything to preclude it.

MR. GLASSER: I was present there. I remember the meeting very well.

MR. BELL: He said you did not agree to the proposal. Isn't that it?

MR. GLASSER: However, the question of gold was not discussed because we didn't discuss the program. The

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discussion was in terms of the type of agreement, and this was a discussion of what we are doing for the British and Russians, and whether we can have that type of agreement rather than the other type.

MR. WHITE: Here is the thing that is bothering me. In this story, you see, and in the conversation I had yesterday with Clayton--they evidently told the French that they would not have signed on the 23rd of January. See? That was true, and that is the story. Now, we never knew that until yesterday, and the other thing which I learned yesterday was that the reason Monnet wanted to fly on that week end was because he wanted to fly with Hopkins. Evidently he and Hopkins were going to take this thing and present it as a Christmas present to General DeGaulle, see.

H.M.JR: No, what I am trying to get at is, Monnet did want to go. It was last week end, wasn't it, or this past week end?

MR. WHITE: He wanted to go last Sunday. We told him to wait until Monday or Tuesday, and it is now Wednesday.

H.M.JR: That doesn't quite check, but Clayton told me Hopkins and he were going to fly together. Now, I didn't know that as of last Tuesday, the Tuesday following the Cabinet meeting when the President first approved it, that there was to be a master agreement signed. Did you know that?

MR. WHITE: No. The discussion of the 5th, which you will recall was the wisdom of having the master Lend-Lease agreement like the French and British--I said we would talk it over in the Treasury. The very next occasion was the specific proposal which--

MR. GLASSER: Excuse me. On January 18 you wrote a letter to Stettinius; the day before the Cabinet meeting you wrote a letter to the Secretary saying that the master Lend-Lease agreement should be given to the French, but that the gold holdings should be the criteria.

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MR. WHITE: That was because a day or two previous to that they were calling up and putting on pressure, and asking if we agreed with Lend-Lease. That was the 16th or 17th, those three days prior to that, you remember.

H.M.JR: At Cabinet Crowley tried to get me to sign something. I said I had never seen that; it came from Oscar Cox.

MR. WHITE: Prior to that they were putting pressure on, and it was then we drafted a letter saying it was all right to sign an agreement saying there were discussions of their dollar and gold position.

MR. BELL: You contended at that Cabinet meeting that what was in that statement had been discussed.

H.M.JR: Just one second. Did I write on the 18th, bringing up the gold business?

MR. WHITE: Yes.

H.M.JR: What did I write on the 23rd for?

MR. WHITE: Their answer was not wholly clear. It looked as though they were going ahead to sign the agreement and then there were going to be discussions on the gold. On the 23rd we wrote a letter making it more specific that we wanted to have an understanding of the gold before the master Lend-Lease agreement was signed.

H.M.JR: Which was the memo, the one of the 18th, or the 23rd, that you put a little pink slip on saying, "When the French see this they are going to have kittens all over the place?"

MR. WHITE: The 23rd.

H.M.JR: That was the 23rd.

MR. WHITE: That was right, and that is the one you said, "Am I not retreating from the position?"

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H.M.JR: Yes, but did I on the 18th say that the gold should come first?

MR. WHITE: No, it didn't say first, but it didn't say not first, either; it could be interpreted both ways. They might have misinterpreted it, and that is why we made it clear on the 23rd. I will get the letter of the 18th. That is important because I don't think--

H.M.JR: I will have my office get it.

MR. WHITE: That is a letter to Stettinius on the 18th.

(Secretary holds a telephone conversation with Miss Chauncey.)

MR. WHITE: We had couched the wording of the 18th very carefully to avoid State's and FEA's charge that the French would know that we wanted their balances down to a given level before we would do anything, so we couched it in such a way that the conversations could go along simultaneously, but we never had any intent to agree to the master Lend-Lease agreement until there was agreement as to amount and as to what position we should shoot at.

H.M.JR: Does this say anything about the proposal of the gold coming first? (Hands Mr. White letter to Secretary Stettinius, dated January 18, 1945.)

Here is the point I want to make. At Cabinet when I wouldn't sign that thing, I made my statement and said I thought we ought to bring up the gold thing first, which was agreed on at Cabinet.

Now, it looks to me, having done that on the 19th, which was a Friday--somebody promised the French a master agreement the following Tuesday in the face of my statement.

MR. WHITE: That is quite possible. I think they have been promising that French Lend-Lease agreement every week for two months. That is the way Monnet has acted, as though he had it in the bag.

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MR. BELL: He wasn't away.

MR. WHITE: The reason they were particularly sore at us and put pressure on us was they didn't get our acquiescence.

(Miss Chauncey enters the conference temporarily.)

MR. WHITE: On the 18th--

H.M.JR: Did I say anything about the gold on the 18th?

MR. WHITE: In the letter of the 18th there was a definite statement that the factors in the general consideration should be their gold and dollar balance.

H.M.JR: Why did I have to write on the 23rd again?

MR. GLASSER: In between the State Department sent us a draft of a master Lend-Lease agreement. It was sent by Mr. Ferguson or someone down the line there. It wasn't an official top letter. We replied on the 23rd to make it clear what we wanted was to first decide on the program and then sign a master Lend-Lease agreement.

MR. WHITE: I think you have to read that letter of the 18th, because what seems to be troubling you is you made a commitment in your letter that you changed your mind on the 23rd, and I don't think that is so. If you will read the letter of the 18th carefully, I think you will find it.

H.M.JR: (Reads letter of the 18th to Secretary Stettinius.) That is correct.

MR. WHITE: That is the first time we gave them the statement -- the position we had up to then was, "We have to decide the gold matter first." We thought because of that letter they would call a meeting to discuss gold and dollar balances; instead of calling the meeting, they gave us the master Lend-Lease agreement to sign. We then sent the letter of the 23rd to give them a clear indication we wanted to discuss the other first.

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H.M.JR: Clayton came back and agreed with what I said on the 18th.

MR. GLASSER: Yes.

H.M.JR: I have his letter here.

MR. WHITE: He agreed with what you said on the 23rd.

H.M.JR: No, on the 22nd.

MR. WHITE: It was Grew's letter that agreed with what you said on the 18th. That is right, but there he then interpreted their agreement as meaning--there had been some fast work--they would take gold and dollar balances into consideration, but later--that is why we wrote on the 23rd.

H.M.JR: I see; I have it straight now.

(Mr. Cox, Mr. Davidson, Mr. Hannegan, Mr. Clayton, Mr. Mitchell, and Mr. Collado enter the conference.)

H.M.JR: Mr. McCloy and General Hildring are on their way over. Do you want to wait until they come? They want to do something, too.

MR. CLAYTON: I am sure this would be satisfactory to them, because we have talked--Mr. Mitchell talked with Mr. McCloy this morning, and he was disturbed by the statement in the Harald-Tribune to the effect that the Army had taken some of the ships away from the French program, and they wanted to put out a statement on the subject themselves. I prepared this little memo that I read to you on the phone.

H.M.JR: I think we might wait a minute. I know he is coming because he phoned me at eleven-fifteen. He asked if it was all right to bring Hildring.

While we are waiting, may I take up one thing which has been bothering me since yesterday? You told me that the French were informed the Tuesday following the Cabinet meeting on the 19th that they were going to be handed a master agreement.

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MR. CLAYTON: I told you we had informed them that?

H.M.JR: Yes.

MR. CLAYTON: There must be some misunderstanding, because I don't recall I informed them to that effect. It wasn't officially done. It might be that in talking with Monnet we might have told him we were considering a master agreement, because, Mr. Secretary, we could hardly have done that in view of the fact that at our meeting in the Department on the 6th of January, which was attended by Mr. White and Mr. Cox, it was agreed that while Mr. Cox said he thought that the situation had changed to the point where we could consider making a master agreement with the French--and Mr. White expressed the opinion that that was probably correct, but he wished to consider it further and discuss it with you--we certainly had not reached any agreement interdepartmentally that a master agreement would be submitted to the French.

H.M.JR: Somebody told me yesterday; that I am sure of. Did I talk with you?

MR. COX: No.

H.M.JR: Somebody told me that the French were told as of Tuesday that they were to have had a master agreement. Didn't you tell me that Monnet was going to fly back with Harry Hopkins?

MR. CLAYTON: Yes. I told you I had discussed the matter with Harry Hopkins and he was wondering whether Monnet would get through promptly. I said he probably would be through in a few days, but I don't think I said I had told the French we were going to give the French a master agreement.

MR. COX: Mr. Secretary, I don't know what was told the French because I didn't tell them, but after the January 6 meeting as a matter of history it was perfectly clear that Harry was to come back and check with you, and Will and I both understood that. But after the Cabinet meeting I understood from both Mr. Crowley and Ed Stettinius--they

reported to me that they thought it was all right to go ahead with the agreement and then start this other procedure afterwards, but that was internal, U. S. Government.

Now, what, if anything, was told the French, I don't know.

H.M.JR: May I review it as I remember it? Let me go through the thing. If I don't give it correctly, after I am through you (White) and Glasser check me, but let me run through it as I understand it.

Where I came into the picture for the first time was on the--I don't mean literally--but it was on the 18th when I wrote Mr. Secretary of State a letter, and I would just like to very briefly take a minute--this was the day before Cabinet when I said, "Dear Ed: This is in reply to the letter of January 13 from the Acting Secretary of State confirming that the French Lend-Lease document which was before the President at Quebec has been superseded and stating that your Department awaits the Treasury's views on the appropriate type of Lend-Lease program for France.

"It is the Treasury's view that Lend-Lease for France, both in munitions and in non-munitions generally should rest on the same principles as Lend-Lease for Great Britain. In working out the non-munitions program for the French the criterion of the amount of aid to be rendered should be the status, actual and prospective, of their gold and dollar balances. The United States should determine the extent to which we deem it appropriate that the French should use their gold and dollar exchange resources in meeting their non-munitions requirements and Lend-Lease aid should be programmed accordingly.

"Naturally it should be understood that any Lend-Lease program for the French worked out in advance at this time will not constitute a firm commitment but that actual delivery will be subject to the changing demands of strategy, to supply and transport considerations and the usual considerations of procurement and allocation."

(General Hilldring and Mr. McCloy enter the conference.)

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H.M.JR: I will give Mr. Clayton a chance to clear his publicity.

MR. CLAYTON: As I told you, Mr. Monnet called me early this morning and was very much disturbed about this article in the newspapers and was wondering whether some release shouldn't be made on the subject by the State Department or by him. Immediately I gave him my reaction to the thing, which was that I thought the principal objective to be attained was for him to make some statement for the French public opinion, because he was fearful that this newspaper article would be published in France and it would give a good deal of concern to a good many people, so I am just suggesting that he might have a press conference or give out a short release to the effect that discussions were proceeding on the Lend-Lease agreement and that he felt a satisfactory agreement would be arrived at within a reasonable time, that so far as the agreement on the ships was concerned, which provides the six ships in January, ten in February, and ten in March--that so far as he knew there had been no change whatever in that program, and so far as the arrangement of consolidation of the French civilian requirements into one French importing program was concerned, that he understood that discussions were taking place between the different departments concerned in Washington and that progress was being made, and he felt optimistic on that, or words to that effect.

He said it sounded all right to him and he would do that.

Later in a staff meeting at the State Department there was a considerable amount of concern expressed about these newspaper articles, and it was felt that the State Department should make some kind of release on the subject. And Ed had prepared, just prior to this meeting, a little short memo which I wanted to give to the Acting Secretary, Mr. Grew, for use in his press conference, which was to be held at twelve o'clock, in case the question should arise, which I was sure it would. It was later decided that he would not hold the press conference, but what we should do, with your approval and that of FEA and the Army, would be to

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give out a very short statement on the subject, so here is the statement that we prepared. "1. Discussions are proceeding satisfactorily concerning a French lend-lease agreement. We feel that these discussions are nearing a conclusion, so definite proposals may be presented to the French soon. The procurement and shipment of civilian supplies for France has not in any way been delayed by these discussions.

"2. We are satisfied that there has been no obstruction to the shipping arrangements worked out in the recent Hopkins-Law conversations. We believe that the agreed allocation of ships to the lifting of French Civilian supplies during January, February, and March is being and will be carried out.

"3. Conferences among U. S. Government departments during the past few days have made excellent progress on the proposal to merge into one French national import program all matters relating to procurement, shipment, and distribution of French civilian supplies."

MR. McCLOY: On that I think that a statement is desirable. I think that, of course, not the War Department, particularly, since the suggestion that the military were bucking that Law-Hopkins affair, because they are not-- we put our hand on that, and not only did we approve it, but it would be very disloyal of us if we didn't approve it to go ahead with what we did. There is an element in that agreement, as you remember, that says that if military necessity intervenes--and that entire presentation of military necessity is not a mere monetary priority, but an intervening military event of such importance that you would have to modify it--your language there doesn't have any qualification in on it, I think. I don't know whether it is desirable to put such a qualification in it.

MR. COX: That is true as to allocations of shipping, isn't it?

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H.M.JR: No. May I say this: After all the discussion of Lend-Lease took place--this was on the 19th--and it was settled what was to be done, Mr. Stimson spoke up and said, "I want it understood that nothing can go into France unless the Commanding General in the area approves it."

The President said, "Yes." I don't know whether he reported that.

MR. McCLOY: I don't know whether he said that. That was at a Cabinet meeting?

H.M.JR: At which it was agreed what should go forward with the French on a Lend-Lease agreement, and that was the first time it ever was agreed, and that was on the 19th, but Mr. Stimson put in that legal term, caveat. Is that correct?

MR. McCLOY: Caveat? Very good, yes.

H.M.JR: Thank you.

And the President nodded his head, so I am just--

MR. CLAYTON: Of course, Mr. Secretary, as to that, not only would we have to run that gauntlet, but it is well understood by the French that all their requirements for supplies, and so forth, are subject to the usual procedures here of allocation and priority, and they have to run the gauntlet of the War Production Board, and so forth. That is well understood by the French.

H.M.JR: Excuse me. This was something quite new that Mr. Stimson was talking about, unloading at the ports the trucks and all that. He said he didn't feel that with the war going on the way it was any agreement should be entered into unless it was agreeable to the Commanding General of the theater.

MR. McCLOY: They don't actually ship unless the theater commander says there is a berth warrant to come into.

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MR. CLAYTON: The point Mr. McCloy makes about the escape clause as to the ships is well taken, and I don't much believe it is necessary to go into detail as to that, but we might say we believe that the agreement which has been made as to the allocation of ships will be carried out.

MR. McCLOY: That's all right.

MR. CLAYTON: That agreement carried that clause, and we just make that little alteration, and that covers it.

MR. McCLOY: That is all right as far as I am concerned.

There is another point I want to talk on, the publicity of the matter of the separate French program; there have been some developments on that overnight. Yesterday we had a big meeting in the War Department with Judge Patterson's office where we discussed that whole affair, and we came to the general conclusion there that we were disposed to favor a separate program for the French subject to several considerations, one being that insofar as actual operational areas are concerned, the immediate wake of battle area, we felt on that we had to retain our responsibility--that is, in the Strasbourg area today. It isn't practical to distribute your relief any other way than through the Army. On the Allen-Minton program, the raw materials for military items, we felt that at least until that thing was well along and well nurtured and established that should continue to be under military control.

GEN. HILLDRING: For the present.

MR. McCLOY: Yes, for the present.

As for Plan A and the civilian program, we were disposed to favor merging that and turning it over to the French, and we prepared a telegram last night to that effect which did not go out, however, because in the meantime a telegram had come in from--oh, there was one other condition that was proposed, and that was whether Plan A and Plan C should be merged would be dependent upon Eisenhower's notifying us that in his judgment the French

could take this thing over and carry it on, because Eisenhower was on the end of a directive from the Combined Chiefs of Staff to avoid disease and unrest in these rear areas. So we had to get the final clearance on the capacity of the French. Last night a telegram came in from Somervell. I don't know where it was from, but it was Argonaut, wherever that is. And he said that the conditions in France--internal transportation conditions were very serious and complicated and very involved, and the substance of it was, as I remember it, he didn't think that the French could take the thing over, and we had to continue at this time. At this time we had to continue with the military administration of it.

After getting his telegram, we proposed to send another telegram over to him stating the general conclusions that we arrived at last night, but in the light of his telegram, I have had some difficulty clearing it in the War Department, difficulty clearing this statement that we are disposed to favor a separate French program because of his statement regarding the complexities internally, and I had to leave for this meeting before I could clear that, so I don't know whether it would be correct or not to say we are making excellent progress at the moment on the separate program.

GEN. HILLDRING: We were last night.

MR. McCLOY: Up until last night we were. I know I called you gentlemen saying I wanted you to sit with me so that you would know what I was doing and I would have some idea what you were doing. Here we had a meeting the day before yesterday which lasted quite late, and we talked about what we were going to do with the French civilians and Plan A, and about merging the whole thing, and talking only for the freeze--not having the foggiest idea what you were doing--

MR. CLAYTON: That was very unfortunate.

H.M.JR: I am not blaming you. I mean, I think it is unfortunate when the Secretary of State says they want the Treasury to make a suggestion, as he did in a letter to me--they would like a suggestion from us, and then we are

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boxed off in a corner and don't get the whole picture. I can't work like that. If I am going to be invited in on a thing, I like to know all the facts, and I took the initiative in calling you, and I would like to make the suggestion--and I am not going to worry about the publicity statement, whether it is five minutes early or late. I think we ought to go a little slow if you don't mind.

MR. CLAYTON: I don't mind.

H.M.JR: On a thing like this we might have entered into something--I might have entered, I don't know about State--saying that we were proposing to treat the civilian goods--merge the whole thing in Lend-Lease, and you might have sent out something not too good.

Now, the French know what they are doing, but we sort of sit around with our hands in our pockets here and don't know what the other fellow is doing.

MR. McCLOY: Certainly I heard that you were dealing with Lend-Lease negotiations. We hadn't been invited in, and it wasn't really part of our business, so--

H.M.JR: State got the thing up. The only reason the meeting is here is because I happen to be a member of the Cabinet. It might be on a street corner, otherwise, with the press sitting in. But the thing I would like to draw the attention of the State Department to--and this is just gratis--is, when you give out a statement to the press talking about the Law-Hopkins discussions, I, as just one of the one hundred and thirty-five million people, don't know anything about them. Isn't that the first time you are announcing there have been such discussions, and aren't you going to be deluged with, "What were the Hopkins-Law discussions?"

MR. CLAYTON: The newspapers have been full of it.

MR. COX: Yes, the State Department got out an official announcement.

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MR. McCLOY: Certainly the newspapers have been full of the Law-Hopkins discussions.

H.M.JR: Do you know what they were, Harry?

MR. WHITE: No. I know they are going along.

H.M.JR: I am just offering it. If they have been officially announced, that is that.

MR. COX: Mr. Secretary, could I mention a couple of things tying the two things together? There has been no public issue made of the French war import program. It is a complicated thing, all the conditions that would come out of it. Everybody agrees there ought to be one import program as soon as practicable. You are going to have inland transportation; you are going to have stuff in wake of battle, and a whole lot of other complications you are going to have to provide for. You can't make the immediate transition of civil affairs to something else, or G-4 and GPA to something else, but that hasn't been raised in the public issue, so we wonder whether you want to refer to that at this time at all.

There are two central things that have been raised, one, the Army cutting into the Law-Hopkins statement; that is false. And the other is on the Lend-Lease agreement. Now, just as a minor part, I don't think we ought to fall completely into the pitfall that has been raised by the newspaper stories in terms of talking about civilian supplies. I think just for purposes of public relations it would be much better to talk about war production and other vital supplies, and, two, some reference ought to be made to the reverse lend-lease thing which is tied up with this, because the French are buying stuff, and it is on an agreed basis, pending these satisfactory discussions which have not yet been concluded.

H.M.JR: I would like to make a little different suggestion if the State Department doesn't mind. When you called me up this morning before your staff meeting, was it your opinion that Jean Monnet should make a statement

and that everything was going along all right? I personally think that that is the correct thing, particularly in the light of what Mr. McCloy has said, and if we give out a statement now that everything is going along, it really isn't so. And as far as I am concerned, talking for the Treasury, I would much rather sweat this thing out for another twenty-four or forty-eight hours and try to have State, War, and Treasury come to an agreement on the home front. I am sure we can, and then we can give a factual agreement and let Monnet hold the floor.

MR. CLAYTON: That is entirely all right with us. I think that the War Department might give out a statement if they want to about ships.

MR. McCLOY: We are doing that; we put out a denial. Surles put that out the first thing this morning, just a short little denial.

H.M.JR: What do you think of going back to Clayton's original suggestion this morning of letting Monnet back the statement.

MR. COX: That is better, because after all, the trend of the story is that the French are dissatisfied, and if he gets out a statement--

MR. CLAYTON: We will do it that way.

(Mr. Mitchell leaves the conference.)

H.M.JR: That gives us time to catch our breath. All right.

MR. CLAYTON: I think it is better, and in the staff meeting they thought we ought to make some statement.

H.M.JR: Would you people be a little charitable with me, because I don't think it would take me more than five minutes to say what happened, because I really think that there is some misunderstanding in some people's minds as to where the Treasury stood, and I would like Mr. McCloy

and Mr. Hilldring to know what they are after. If it isn't correct, we can get on with the business, but I think that your people--we wrote a letter on the 18th stating what our position was and saying that, "In working out the non-munitions program for the French the criterion of the amount of aid to be rendered should be the status, actual and prospective, of their gold and dollar balances." That was the 18th, the day before the Cabinet meeting. I will come back to Cabinet.

On the 22nd, Mr. Grew wrote, "Your letter of January 18, addressed to the Secretary, expressing your view that lend-lease for France, both in munitions and in non-munitions generally should rest on the same principles as lend-lease for Great Britain, has been referred to me.

"I agree entirely with your views and believe that we are all ready to proceed with discussion of a Master Lend-Lease Agreement with the French. I have accordingly asked Mr. Clayton to call together Mr. White and Mr. Oscar Cox to go over a text which could be presented to Mr. Monnet early this week."

We here felt that State still didn't understand our position that we wanted the question of their dollar balances settled in advance of the signing of a Master Agreement, and we, therefore, wrote State another letter on the 23rd which, if you will bear with me a minute, I would like to read. (Reads letter to Secretary Stettinius dated January 23, 1945.)

Now, did we get an answer from that?

MR. WHITE: That was the answer that Mr. Clayton sent over which was superseded by his oral conversation.

H.M.JR: And subsequently State wrote me another letter. They didn't agree with me, and they said that they thought we ought to go ahead with the master agreement, and that after the master agreement was signed, "would you take up the question of dollar balances?"

MR. CLAYTON: May I just interject, Mr. Secretary, that we sent along a proposed letter that we would write to Mr. Monnet telling him that we would have to arrive at an agreement with him regarding the use of their dollar and gold balances before we could agree upon a definite program of supply under the agreement?

H.M.JR: Where is that?

MR. WHITE: That accompanied the letter.

MR. COLLADO: It came before your letter.

H.M.JR: I have never seen that.

MR. CLAYTON: We sent it with the letter.

MR. WHITE: He copied out the paragraph of your letter of January 18.

H.M.JR: I don't think I have seen that.

MR. GLASSER: It came from Ferguson with--

MR. WHITE: ...with the master Lend-Lease agreement.

H.M.JR: Here is everything on my desk, Harold.

MR. GLASSER: It isn't in your file?

MRS. KLOTZ: No.

MR. COX: As I understand it, you need that, that was an intervening link.

MR. COLLADO: We sent it to Mr. White on January 22.

MR. WHITE: Have you a copy of it there?

H.M.JR: This was on the 22nd?

MR. COLLADO: It was delivered to Mr. White on the 22nd.

MR. WHITE: Yes, with the Lend-Lease agreement.

MR. COLLADO: With the proposed master agreement which was the agreement you prepared, Al.

H.M.JR: This other thing is something quite new as far as I am concerned. While they are looking, Jack, I am going to furnish you copies of all this correspondence.

MR. McCLOY: Fine. I haven't seen any of that.

H.M.JR: It will get over to you this afternoon. One set, or two sets?

GEN. HILLDRING: One set is sufficient, Mr. Secretary.

H.M.JR: Mrs. Klotz will get you a set this afternoon.

MR. McCLOY: I don't know just what our interest is in the thing.

MR. COX: It is a very--

H.M.JR: You have got more than that.

(Mr. Glasser leaves the conference temporarily.)

MR. COLLADO: I know we took it out of this file to send another copy.

MR. WHITE: I remember very distinctly that. The gist of it was in response to your letter of the 18th and Grew's acquiescence with the position; they sent along a copy of the master Lend-Lease agreement and a letter which they proposed to send to Monnet. And this letter which they proposed to send to Monnet contained two paragraphs that were almost verbatim paragraphs of the letter of the 18th.

H.M.JR: And that wasn't satisfactory?

MR. WHITE: We followed that with--

MR. COX: There is one other point that is critical there, Harry, as I understand it. I have seen a copy of that letter. The proposal from State was that they transmit to Monnet a draft of the master agreement saying, "We are ready to sign the agreement. At the same time we want to discuss the non-munitions to be supplied in the light of your gold, dollar, and interest resources." That still raised the central point, should the agreement be signed first or discussions be had first.

MR. WHITE: And one further point it didn't settle in our mind--we wanted it settled among the U. S. Government departments first. We wanted the discussions before they were given the master Lend-Lease agreement, and it was a result of that that--

MR. COX: I wasn't saying that the letter of the 22nd settled that point. All that the 22nd letter, as I remember, focused very clearly on was the issue as to whether the agreement should be signed first and transmitted to the French with a clear-cut statement that the signature on the agreement did not mean any non-munitions were moved until there had been discussion with them on the utilization of the gold, dollar, and other resources.

MR. CLAYTON: That is correct.

MR. WHITE: That is right.

H.M.JR: I don't get the point. The letter that the State Department proposed to send to Monnet you didn't feel--

MR. WHITE: I thought the response to your letter of the 18th would be a meeting among ourselves to determine what the gold balances are and to discuss with the French and possibly get some further information from them before the Lend-Lease was offered, so we among ourselves would have that settled so we wouldn't repeat the experience of the British; but instead of that being the response, it was suggested that Lend-Lease be offered.

(Mr. Collado hands Secretary letter addressed to the Secretary from Mr. Grew, dated January 22, 1945.)

MR. COLLADO: Right there we refer to the proposed letter to Monnet.

H.M.JR: That is correct, but it isn't in my files.

MR. WHITE: It is not in your files?

H.M.JR: Let's go back again.

MR. WHITE: This letter which Will Clayton drafted was designed to be a letter to be sent to Monnet along with a master Lend-Lease agreement. That was his concept of what we were asking for, and he thought that was in agreement with our letter of the 18th.

MR. COX: And the Cabinet discussion.

H.M.JR: So we will all get the thing, the Cabinet discussion was this: Before Cabinet Mr. Crowley asked me whether I would sign a memo which he had prepared which I said I didn't think I had seen, and which I had not seen.

MR. COX: That is right.

H.M.JR: So then Mr. Crowley and Mr. Stettinius talked about it, but I couldn't sign a memo without consulting my own people.

(Mr. Mitchell re-enters the conference.)

H.M.JR: I suggested we bring it up at Cabinet, which we did, and the result of bringing it up at Cabinet caused considerable discussion, and I made my statement that it couldn't possibly be misunderstood that I wanted the gold balance thing settled. I wanted to know how much gold. I don't know whether Crowley reported that or not.

MR. COX: he did.

H.M.JR: I brought that thing up very clearly in Cabinet, and it was agreed--and I believe that Mr. Crowley agreed with me--that that thing should be settled first.

MR. COX: That I don't know, because his memo put it exactly the other way.

(Mr. Glasser reenters the conference)

H.M.JR: After Cabinet? No, this memo that was given before Cabinet.

MR. COX: What happened was, he had a memo at Cabinet, as he told me, and you did not have this memo and had not seen it before.

H.M.JR: But I mean, did he have a memo after Cabinet giving the conversation?

MR. COX: No, but he was talking about this in which he agreed the gold and dollar thing should be discussed. On the question of when his suggestion was that the master agreement be signed first. Now, I think that the difference in view on that issue has never completely been resolved. Leo and Ed, as I got it, when they came back were not too clear about it, but they thought what the understanding was, subject to these other conditions, theater command and what not, was that they go ahead and sign the master agreement and start as soon as possible to discuss the gold and dollar thing before any commitment was made as to supplies.

MR. CLAYTON: I was going to say we had a little chit from the Secretary of State as soon as he came back from Cabinet meeting saying we could go ahead with the master agreement; it was just a little three-line memo.

H.M.JR: Well, certainly in my own mind the question was to get the dollar balances settled first, and we have come--you said that as long as I was adamant about it you would give way, but you didn't agree with me.

MR. CLAYTON: We agreed to proceed on that basis.

H.M.JR: The thing that has been bothering me over night was that I gather somebody told the French that as of Tuesday following Cabinet that they would be delivered

a master agreement signed. You see, that is what has been bothering me.

MR. CLAYTON: Well, you know Mr. Monnet, how freely he circulates and how quickly, and he may have gotten some such impression, but when he called me this morning he said that he was very surprised to see this article in the newspaper and he had refused to have anything to say to the newspapers about the matter himself, and he didn't know how it could have arisen. He seemed very surprised about it.

H.M.JR: Well, he--

MR. WHITE: He saw me the same day, or the day before he saw you, and he told me he was going back. He was very much upset over what he understood to be the difficulty here, and he said that he wanted the information. I said I couldn't give him any information, but I suggested he better wait around a few more days. He waited around this long, and sufficient progress had been made so he would probably be better off by postponing his visit by several days.

H.M.JR: May I make this suggestion, Will? It takes time, and unfortunately these leaks happen, and we have got to take leaks. It is unfortunate. But couldn't we now go ahead in an orderly manner the way we were doing just as though there was no leak with the exception that the War Department be added to the group so that when we talk about giving them civilian supplies free or should there be Lend-Lease at least we move forward together, the War Department, State, FEA, and Treasury.

MR. CLAYTON: I think that is the way to proceed.

H.M.JR: And I believe that normally heads up in State; it is foreign negotiations.

MR. COX: That is right.

H.M.JR: And I don't think War can argue, and we can't argue, so if you just proceed, we would like to work with you so that we understand each other about the gold

business; and as long as we agree, we won't say anything to the press, but let Mr. Monnet defend the thing and hope Tobey won't read about this meeting tomorrow. And I can always have hopes and you can call the next meeting.

MR. CLAYTON: Fine. You killed that. That's all.

MR. MITCHELL: That is right. He was surprised about it. However, he said, Mr. McCloy, that the War Department-- that your release has not gone out yet.

MR. McCLOY: It is due to go at noon.

MR. MITCHELL: It was your state of mind expressed in this meeting that it was satisfactory and it was to go, your own release.

MR. McCLOY: Our denial, that is right.

H.M.JR: Is that all right with you, Jack? Do we all move together?

MR. McCLOY: That is fine.

MR. COX: Yes, sir.

H.M.JR: The next move is for you to call a meeting.

MR. CLAYTON: Fine. I will take a look at my calendar, and we will notify all of you this afternoon sometime and try to get together tomorrow if we can. I have to go on the Hill at three o'clock and be there all afternoon.

MR. WHITE: Make this top priority as far as we are concerned.

MR. CLAYTON: I hope we can meet tomorrow. All right?

MR. COX: Yes.

MR. McCLOY: I think so.

H.M.JR: I think this is good; if nothing else, it brings the War Department in the picture. I feel badly

they weren't in before. I am partly to blame for that.

MR. McCLOY: We are interested in your negotiations, how they fit into our form of agreement which you (Bell) sat in on, and the supplies we have already furnished the French on a cash basis, how they are going to be paid for, and before you go into the other arrangement, I have an idea there are a lot of rumors around that the French are endeavoring to alter it. One of the reasons they want a steep program is because they want to get off the agreement which says they pay cash for civilian supplies, and they want to change the aspect of Plan A.

MR. WHITE: Sure, this program will make it possible for them to get that without pay in the future; presumably they will pay for what they got in the past.

MR. BELL: Have they paid you anything, Jack?

GEN. HILLDRING: We haven't billed them; that is one of our arguments with the British Empire.

MR. WHITE: The way things are going there will never be a bill presented. Does that meet with your understanding?

GEN. HILLDRING: No.

MR. GLASSER: It may be presented, but not collected.

GEN. HILLDRING: I don't know that that is a Treasury worry.

MR. WHITE: You submit the bill, and we will collect it.

GEN. HILLDRING: We are going to be able to submit a bill in the very near future, but we have had a tough tussle. They don't want us to bill for these supplies.

MR. WHITE: Are they going to pay you instead?

MR. McCLOY: They don't like the idea of billing for those supplies.

MR. BELL: I understand they are objecting to the accounting.

GEN. HILLDRING: It is more basic. They don't want it to be demonstrated that it is possible to reduce the American contribution to this civilian program to dollars.

MR. COX: The real thing they are worried about is the effect on them of paying for war supplies for a third country for cash when you relate that to the Lend-Lease program and settlement under Lend-Lease.

MR. McCLOY: That is right. It is a very profound feeling that that shouldn't be paid for.

MR. COX: They have something like twenty-five billion at stake as against this program which may amount to one hundred million.

MR. BELL: Do we have to consult the British in order to submit a bill to the French?

GEN. HILLDRING: We do because supplies are presented by both Governments, and they come out of a joint SHAEF pool and are delivered to France, not by American officials, but by the combined officials, so we have to get their agreement as to how we would split the U. S. and the U. K. contributions. We do it unilaterally as a last resort, but over the British protest. The British would protest very violently if in a combined show we took unilateral action. The Combined Chiefs have never done that yet. However, it is the threat of that that has brought them to an acquiescent attitude with regard to billing procedure.

MR. BELL: But they did offer no objection to the agreement you entered into last summer, so that was part of it.

GEN. HILLDRING: That is right. Then the delays, Mr. Secretary, started. First it was a dministratively impossible to separate the supplies, although we proved it wasn't. Then it was impossible to get a unit cost on

supplies. We have proved that is possible, and then it was clerical difficulty. They got SHAEF to argue that they couldn't possibly undertake the clerical side of the job of extending the cost on these import items, and we have gotten SHAEF to agree with us that that is possible. We have gotten word now that they will agree to it, and I am sending Hilliard over there. We have gotten Bernie's principal assistant here, and we are having a little skull practice in the War Department so that the team will leave together, and before they will leave their side, we will have a bill prepared to present to Monnet.

H.M.JR: Why is the name Hilliard familiar to me?

GEN. HILLDRING: Colonel Hilliard, sir. He is my liaison man between CAD and the Treasury.

MR. WHITE: A very nice gentleman.

MR. McCLOY: But it is amusing the way the thing developed. The original approach of the French was, "We are paying for these supplies. We are going to pay for them and don't want to hear anything about loans or anything else. We have lots of gold." Therefore, we set the program, and they rather argued with us because we were screening. As a result of that, Plan A evolved, which did take them into account, and we did accept their views to a very large extent on their insistence that they were paying for it. It was really their goods.

MR. WHITE: I had a long discussion with Monnet on the wisdom of paying, and he said, "We have got to pay cash, and we have got the money. France doesn't want to be in a position of getting weighted when we have the cash to pay for it."

MR. McCLOY: And they used that to insist upon getting the items.

MR. BELL: They also used that to say they thought it should be distributed to their own people. It was their goods, and--

MR. COX: It is a very conflicting history. There is one additional argument for washing out Plan A. It has a long, complicated history with UNRRA and everything else. It is going to be a long time with the British before you send a bill.

MR. WHITE: Another argument is whether we should give them goods for nothing.

MR. COX: You can make your independent financial arrangements on that, but you are in a very complicated joint operation, and it is beyond the general control. It was based on the assumption in large part that France would be a liberated area paying the Government for purposes of UNRRA as well as military stuff. Now, you have had the war extended for a longer time, and circumstances are different.

MR. WHITE: You are kind of meeting a dead horse. I think everybody agreed Plan A ought to be eliminated.

GEN. HILLDRING: I agree mostly with what Mr. Cox says, but there is one element he didn't mention, and that was Plan A was not a plan that was to be extended indefinitely. It was an early program of relief with a trial date of about six months. We are beyond that, which is another reason Plan A should be washed out. It has served its purpose for which it was written, the first six months. It is nearly eight months now, which is another reason why it isn't particularly applicable. It ought to be turned over to the French.

MR. McCLOY: The sooner Plan A is out, the sooner they will pay, the French. There is an agreement to pay cash for everything that is in Plan A.

MR. CLAYTON: May I say on that point regarding General Somervell's cable I can understand perfectly well your concern regarding the distribution of supplies immediately back of an active theater, for example in the northeast section up there. I can understand your concern about getting--being sure that the raw materials

for making the goods that you have ordered in France should be delivered on time and in the right amounts, and so forth, and I think you have a very good reason for holding up any prompt action on that, but as regards Plan A and all other civilian French requirements, I don't profess to know nearly as much about it as General Somervell does. But I wouldn't share his concern as to the inability of the French to do it, and I think the responsibility ought to be put on them just as soon as we can, because if in that case there is any failure--if the thing doesn't go right, it is their responsibility, and not ours. I believe the principle of putting on them and on any other liberated country just as soon as conditions will permit the responsibility for the receipt and distribution of supplies, and indeed for the general national program of procurement and everything else, should be placed on them just as quickly as we can.

MR. McCLOY: I agree with that one hundred percent, but I want to give you the other point of view. I refuse to put my name on a cable which doesn't state your view just as you stated it now about a minute ago. And I don't know what they have done in the meantime. I think--and I followed this thing very closely--I think I have followed it more closely, the program of it, than General Somervell has, and I know that the impact of it is on the countries that are involved. I think in the case of France with their very strong Nazistic tendencies and irascibilities we are better off--definitely better off--if we can put this burden on to them. On the point of view of the Army, I am convinced we would be better off if we could do it. I don't know whether we will ever relieve ourselves entirely from criticism, but the matter of distribution within the area isn't so important actually, because we have already now turned this over to the French; we don't distribute it in the interior zone. We agreed we would turn it over to the indigent French authority, and he would distribute it.

However, there is a certain feeling that if you have a separate program set up for France, in spite of the political desirability of it and other desirabilities which

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you have just referred to, there is less flexibility in the military program. Just last week or two weeks ago there were five ships in the New York harbor set up for the French civilian program, and they were loaded and it suddenly became necessary, or the military felt it was necessary in order to get ready for the coming offensive to unload those ships and put guns and ammunition on them, and they could do that without consulting anybody, and they did do it without consulting anybody. Now, they lose that flexibility if it gets into other programs. It is a rather important consideration to them. In spite of that consideration, I think the advantage of a separate program outweighs the others, but I think this whole matter, by the way, is going to be discussed, and the Argonaut expedition. We have got the telegram from General Somervell which indicates that, and maybe what we do here may be a final academic decision by the time we hear what has occurred over there.

H.M.JR: It has happened before.

MR. COX: But I think in principle Will is unquestionably sound. But I think the one thing--the Argonaut thing you have to watch for, the thing you mentioned before. It is a practical problem. Somervell is interested in the G-4, the Wayne-Allen program. There is stuff on the water now under the transition program, rubber and cotton, where they have gotten French factory schedules to make tires or duck for tents, and what he wants to make. And what Minton and the others have done has not been upset ~~in~~ the transition or changeover. If you rock the boat on that, it means they won't get what they planned to get, and that is what they are afraid of.

MR. McCLOY: It is a clear form, but he translates that into a desire not to turn Plan A over to the French.

MR. COX: Somervell has considered with Plan A, G-4.

GEN. HILLDRING: Only as it affects transportation. He sights an instance, and I think it will probably have to go ahead, and I further think that what Somervell is trying to say there is that more civilian supply will get

into France if Eisenhower handles it than if the French handle it, and that is probably true.

Last Sunday during the discussion I pointed out the fact that while the Army has been administering this program much longer than we wanted them to, we have been screaming for a year for somebody to take over who can in Southern Italy; we are still there and administering. The net effect has been beneficial to the Italians. I don't think that any agency could have gotten two and a quarter billion tons of shipping--

MR. WHITE: That is right.

GEN. HILLDRING: ...except the Army, because I know how hard I had to fight.

MR. WHITE: The Army makes the decisions, and if the civilians, as they are inclined to, say no--

MR. McCLOY: They have got all the facilities.

GEN. HILLDRING: Despite that, it's against French interests; we ought to do it, and one thing Somervell loses sight of there--he mentions a case that unquestionably happened where we turned over the operation of the railroads to the French--it broke down, and he had to send railway battalions of soldiers in there to get those railroads turned over to the French back into operation in order that we could distribute French civilian supply.

H.M.JR: General Hilldring, I have learned what Plan A and Plan C are, but what is G-4?

MR. COX: G-4 is the Army program for calling up raw materials and other supplies to produce goods in France which are used by the Army. But look, General, just one point to extend this discussion--

MR. WHITE: Do we have to extend it?

MR. COX: You don't have to extend it; that is the primary--

H.M.JR: Harry has got something to do.

MR. WHITE: Could I be excused?

H.M.JR: I need you for a minute, Harry.

MR. COX: This will only take about half an hour, Harry.

There is only one point, Mr. Secretary, on the point the General made. As a realistic matter nobody is saying that under the French War Import Program that the theater commander does not have a very decisive say-so as to what happens in terms of what clears the port, what happens on shipping, and inland transport. Now, the North African experience is another way of coalescing the military theater commander's operation and that of civilians in terms of supplies other than those that go for the soldiers. I am by no means sure that the French will get more supplies under a straight military operation than in the War Import Program. The basic thing is the military people have to decide with limited port clearance how much goes in for guns f.o.b. wholesale and how much for military vehicles. He is the guy that is running the show, and you have no other choice. The most you can do is try to persuade him it is important to have tires produced for vehicles on the ground other than shipping three or four thousand miles, but he has got to decide.

H.M.JR: I move we adjourn this to Mr. Clayton's office.

When you speak to Monnet, Mr. Clayton, please tell him on behalf of the Treasury and myself that we are doing everything we can to work this out, will you please?

MR. CLAYTON: I will do it.

MR. MITCHELL: I promised you, Mr. Secretary, a diary. I have since collected that and made arrangements with Glasser to deliver it to him. They are working on it, and it is a matter between you and me.

(Mr. Mitchell, Mr. Collado, Mr. Davidson, and Mr. Hannegan leave the conference.)

H.M.JR: Mr. McCloy do you want to raise the French franc thing?

MR. WHITE: Everyone is getting more and more concerned about the widespread complaints which are emanating from soldiers and also from Congressmen who have been there on the matter of the two-cent rate. They are saying that the American soldier is being grossly cheated and they either ought to be paid in dollars or the rate ought to be different. Now, there was being prepared a release which would give the reasons why the French currency has to be reduced in justifying the rate and explaining the matter to some extent to the public, but there is a feeling in the War Department and in ours, among ourselves, that at the same time, or prior to that, something constructive should be done to make it possible for the American soldier not only in this field, but other fields, although this field is particularly acute for the moment, to obtain certain of the things which he buys now and which he claims he is getting terribly cheated on such as perfumes and certain liquors.

Now, Mr. Glasser has some suggestions, and it was thought that if you and the War Department could agree on something, then we could clear that very quickly before the Lend-Lease arrangement is consummated, and the French would be willing to go along because they have more at stake than we have, and they are building up terrific resentment in the United States against France.

Now, do you want to carry on from that point, Harold?

MR. GLASSER: General Hildring can make a very dramatic statement of the problem. Yesterday he made the best statement I have ever heard in terms of the general international political significance of this. We have already asked the French if they couldn't do something to give a discount to the American soldiers on the things that they buy, whether the discount be given to the soldiers buying in French stores or French restaurants, or if the

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French will buy up the commodities the soldiers buy and turn them over to the PX.

The French have not yet replied. It is being considered in Paris, and we have told them it is urgent. In canvassing the possibilities at a meeting in the War Department yesterday, they developed into three specific points. One was that the French would designate certain stores as being stores that will give a discount by a good percentage on the amounts they charge to American soldiers. The second one was that the French would sell to the PX's the perfumes and other luxury articles the soldiers will buy to send back home. The French will buy at wholesale prices, supply the goods to the PX's, who in turn will sell to the soldiers.

The third was that the French would take over the entertainment in France, restaurants, night clubs, and so forth, and keep--

MR. WHITE: Restaurants, night clubs, and what?

MR. GLASSER: And so on--cafes, and I can find something else.

MR. WHITE: I can find lots of names.

MR. GLASSER: The thing you were thinking about was not discussed. Now, these places would have the French atmosphere. They would have French staffs, French orchestras, and so forth. The food would be supplied by the U. S. Army, and the people that would be permitted to enter would be the G. I. soldiers with local girls. Now, that plan has been carried out in Rome with a great deal of success. It is very easy to get Frenchmen or local inhabitants to work because they get good meals in these places, and the local girls are interested in going because of the meals, and soldiers like it tremendously. Now, that type of a program we thought could be developed into a broad scale, not only for the current period, but in the period after the defeat of Germany when they use France as a rest stop for American soldiers occupying Germany.

H.M.JR: Since the matter is so fully within the Army, I wish the Army would speak.

MR. McCLOY: We are all for it; we are all for virtue. We want to do anything we can to alter and benefit the condition of the soldiers in Paris and the large centers where they now feel they are very much aggrieved. I don't suppose it is practical to change the rates at this stage. Of course, that would be the simplest thing to do.

MR. WHITE: And that wouldn't help in any case. You don't change it enough.

MR. McCLOY: So I assume that is out.

H.M.JR: Might I interrupt you there. Of course, the French Government could change the rate if they wanted to.

MR. McCLOY: They could, and they fixed the rates in the first place.

MR. WHITE: It would be most unfortunate from their point of view.

H.M.JR: They could if they wanted to. Would this be a sort of French USO?

MR. HILLDRING: Yes, sir, dealing in that field, Mr. Secretary, where the USO cannot enter and where the post exchanges did not enter because of the charters under which they operate and under its inability to change their rights to operate in this other field.

H.M.JR: Does it work well in Rome?

GEN. HILLDRING: Very well, sir.

H.M.JR: Why not go ahead with that as one part of the program.

GEN. HILLDRING: It is something that has got to be decided above our level, and that is the reason we introduced it here.

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MR. WHITE: The French Government will have to spend money. We have asked them once, but they haven't given us a reply on it. There is another matter involving expenditures, and some pressure would have to be brought to bear on the French Government because it involves expenditure.

MR. COX: We have got a similar thing tied in with Lend-Lease because in the British-American free and post exchanges they have made some supplies available as reversed aid. They perhaps ought not for perfume and so forth, as gifts, but they can subsidize it.

H.M.JR: This is just a place, well, like any USO, a place where a boy can take a girl.

MR. COX: There are other aspects.

H.M.JR: I am just devoting myself to--I don't know any better name than a French USO.

GEN. HILLDRING: French canteen for Allied soldiers.

H.M.JR: Yes.

MR. McCLOY: Also it comes in general shopping, the general Paris district where they shop, where you get this discount in the regular shops. That really isn't a USO situation.

MR. BELL: But the canteen could carry a lot of those supplies.

H.M.JR: Jack, if you don't mind--I saw a little bit of that once in Bermuda. I would go along and be glad to for whatever the office prestige is worth, throw it behind a French USO canteen and for making arrangements for our PX stores to buy wholesale the sort of thing the men want, and distribute it through there. But when it comes to discounting for a French shop dinner, I would like to think that over, because I know we will get into all kinds of trouble and misunderstanding between our soldiers and the owners of the shops. I will go slowly on that.

MR. CLAYTON: I share your concern, but I go along on all the others.

H.M.JR: Our boys don't understand exchange, and they might get into a fight with the French shopkeepers.

MR. GLASSER: Mr. Secretary, it was the thought that one of the prime necessities was keeping the French atmosphere. You wouldn't want a French USO, simply making a new institution, but rather that you take over existing restaurants or existing establishments.

H.M.JR: I don't think Mr. McCloy or General Hilldring want any more than just my general backing. That is the idea on it, isn't it?

GEN. HILLDRING: Yes.

H.M.JR: I would go slowly, and evidently Mr. Clayton agrees on this one point, but you have my backing. As to details, I am not going to hang the draperies.

MR. McCLOY: Can you bring it up in connection with the Lend-Lease suggestion?

H.M.JR: You will be in on it.

GEN. HILLDRING: That is fine. Thank you very much, Mr. Secretary.

H.M.JR: DuBois was in on this.

MR. WHITE: Certainly he was in on that, and the 23rd.

H.M.JR: May I have the letter which this refers to? It starts off, "In regard to your letter to Monnet."

MRS. KLOTZ: This is the later one that was written.

MR. WHITE: There are a couple of comments you made on that that I didn't want to mention in public.

H.M.JR: I didn't want to make them public, either.

MR. WHITE: One was you didn't want the letter signed by Drew and one signed by the Secretary of State.

H.M.JR: I said that.

MR. WHITE: The second was you wanted to make certain the old one was dead; you wanted a statement to the effect that the old July arrangement was dead, as Stettinius said at the dinner with us. Both of those thoughts were conveyed in here.

H.M.JR: Wait a minute. This letter came in to me unasked for.

MR. WHITE: It came in as an answer to this.

H.M.JR: You said I asked for certain things. You sent this letter of the 23rd in on your own steam.

MR. WHITE: That is right. I don't remember that, but--

H.M.JR: No, I didn't say to write a letter from me. I am not satisfied with this letter. As I remember it, this letter came in with this little note attached.

MR. WHITE: That is right.

H.M.JR: But you just said previously--

MR. WHITE: You told me two things, that you wanted the Secretary of State himself to sign the letter, and you wanted it made clear that the old July 1945 thing was dead. You asked me that.

Now, the next time we wrote a letter--it may have been previous.

MRS. KLOTZ: It was previous.

MR. WHITE: That is the first occasion we had to do it. We had no occasion to say that to him.

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H.M.JR: The point I am getting at is I don't believe I ever saw this.

MR. GLASSER: It came in this form, Mr. Secretary. It came to Harry White from John Ferguson.

H.M.JR: This letter?

MR. WHITE: Yes, as a proposal letter with that.

MR. GLASSER: Also with these papers attached.

H.M.JR: Wait just a minute. When this letter came in on the 18th, you see--I don't remember any discussion with you that I wasn't satisfied with you. I take it--

MRS. KLOTZ: You raised the point. You said that was not in answer (to Mr. White).

MR. WHITE: You thought you were getting very quick service to this letter of the 23rd when you saw this.

H.M.JR: And I called him up and thanked him.

MR. WHITE: That is right, because you thought this was in answer to your letter of the 23rd, not the 18th. If it was in answer to the letter of the 23rd, you had a right to be satisfied, see, because the letter of the 23rd stated your position very clearly.

H.M.JR: The point I am trying to get at is when you came in and brought this letter to my attention--the letter of the 23rd--I was not shown the Monnet letter.

MR. GLASSER: No, that isn't a real letter, Mr. Secretary, that was only a proposed letter.

(Mr. DuBois enters the conference.)

MR. WHITE: That is true. I am quite sure you didn't see it, and let me show why you didn't and wouldn't see it ordinarily.

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H.M.JR: The point I am making, not having seen this letter--we are talking about this letter of the 23rd--I think you had some part in drafting it.

MR. DuBOIS: That is right.

H.M.JR: I am reading this now for the first time, see? It mentions this letter from Monnet, and I don't see how I could have objected to Clayton's signing it when I never saw the letter to Monnet.

MR. WHITE: I don't know whether you objected to Clayton's signing it then, but you told me in some other connection that you wanted two things, that you were either annoyed or irritated, and you wanted the Secretary of State's signature, and you wanted also the statement that the whole thing was dead, and I had no occasion to get either.

H.M.JR: I wanted the Secretary of State's signature on what?

MR. WHITE: On the Lend-Lease arrangements. You didn't want Will Clayton's arrangements. You wanted Stettinius himself to go on record; I think it was a result either of your Cabinet meeting, or something. Now, I couldn't very well at that point send a letter or call up Stettinius saying we wanted a letter. I bided my time until we had the first opportunity.

H.M.JR: As far as I am concerned, I still haven't made my point, and I am going to make it now. It has nothing to do with whether Clayton signed it or not. I don't know how you know about it, because I don't know what I am going to say.

MRS. KLOTZ: I don't know what you are going to say, but I heard you tell him that.

H.M.JR: About Secretary Stettinius?

MRS. KLOTZ: And on these letters you said you wanted the Acting Secretary of State, you, or the Secretary of State--

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MR. WHITE: Is that the 23rd?

MRS. KLOTZ: He has it. There it is (indicating).

MR. WHITE: I just wanted to show you, Mr. Secretary, this letter of the 23rd says, "Reference is made to the letter which your Department has suggested be sent to Jean Monnet, in which is proposed a master lend-lease agreement between this Government and the Provisional Government of France."

I addressed that to Ed, knowing he was out of town, and knowing he wasn't going to receive it. I didn't address it to Clayton, although--

H.M.JR: "I am enclosing a master lend-lease--" that part is all right--"agreement which this Government is prepared to propose for signature with the Provisional Government of France. If this is acceptable to the Provisional Government of France and signed by our two Governments, we shall be in a position to discuss with you the supply program to be undertaken.

"In working out the non-munitions portion of the program, we will wish to consider the status, actual and prospective, of the French gold and dollar balances and determine to what extent your Government will be in a position to use its gold and dollar exchange resources in meeting such non-munitions requirements."

What I am asking is, why was that not satisfactory?

MR. WHITE: Those were the identical words we sent him. It was not satisfactory because they at the time were including an agreement which they wanted us to agree to, and they were going to send with this letter. We wanted to make sure that that was interpreted--that our phrase was interpreted to mean we wanted to discuss it with the State Department and with the French, but particularly with the State Department and FEA. That is why we didn't show you this. When we got this we talked to Joe and talked about it and said, "We have got to make it clearer," so we drafted the letter of the 23rd, and I called your attention to the

fact that it was a tougher letter, expecting that you would call a meeting if there was any doubt about it. And in that meeting there was brought out this letter and the statement. Now, I don't remember whether you called a meeting or whether you just called me in. Oh, you didn't even call me in, you walked it over. What I did with the letter was, I gave it to Yost and considered it wasn't signed. I planned to take it over, and if it wasn't agreeable to them, I would ask them--I don't remember whether prior to that you talked with me on that or not, or whether you went on the nose.

H.M.JR: I can tell you which I talked to you about. I remarked, "Don't you think this is welching on it?" But I discussed it with you. I still haven't gotten this clear.

MR. DuBOIS: In the first paragraph of the letter to Monnet he says, "I am enclosing a master lend-lease agreement which this Government is prepared to propose for signature with the Provisional Government of France."

Now, the point we were making in this letter, which I think, myself, a very sound point, was before you proposed your signature on a lend-lease agreement to the French, let's be sure we understand what the agreement means, and the other part of the letter ought to be settled before the agreement is proposed. I read this letter very carefully. The way I understand it, in working out a non-munitions program, we sign a lend-lease agreement and then work out a program. The only point we were making clear in this is you work out a program before you sign your agreement, and Monnet would have every right in the world to interpret this, as I did, that he signs the agreement and then works out the program. I thought also in one point it was very clear you didn't want that.

H.M.JR: I haven't changed my position. The only thing that bothers me is, I am not quite sure as to how clear I made it at Cabinet, and that is why I said to White, "Am I not welching?" because of what I said at Cabinet, you see.

Now, the thing that was bothering me was I said that this letter to Monnet--he could interpret the thing and get the agreement, and the thing could come afterwards. In answer to the letter of the 23rd they made it very clear that they didn't agree.

MR. WHITE: Not only that, but I knew something I don't know whether I mentioned to you, that Will Clayton thinks their present balances are not too high. I thought that they were. To throw all that discussion in after we had given Monnet the lend-lease agreement, I thought, would put us in a difficult position, and I said, "Let's thresh this thing out among the Departments and get an agreement first," and that is what we implied in this paragraph.

They took this paragraph out, and instead of calling a meeting, said they wanted to send him the lend-lease agreement with the paragraph which we had demanded. We came right back and said, "No, we want to discuss these things first." That is the sequence.

H.M.JR: The thing is, I am not changing my position, which I think is the correct one. You will never get the French to spend any of their money unless they agree to this thing before the master agreement is signed.

What Twitty told me yesterday was that he was told Monnet was promised this thing as of Tuesday following Cabinet. This thing is clear now.

MR. WHITE: Yes. I think the only criticism you could have is that in your signing or your consideration to sign the letter of the 23rd, it should have been made clear to you that we received this letter and the other, and that wasn't shown you or made clear.

H.M.JR: I don't think it was shown to me.

MR. WHITE: It couldn't have been. I know I didn't show it to you.

H.M.JR: I will say this now so you won't misunderstand it. If you had shown it to me, I would have done just the same thing.

MR. WHITE: I should think so.

H.M.JR: I mean, I would--I still would have.

MR. WHITE: We assumed that, that this did not meet--

H.M.JR: I think we all moved a little fast. I don't think--but, of course, what I should have called to their attention is that the letter starts out that way, referring to it. I never thought they would accept the letter, but in the mixup with Stettinius leaving, Grew taking over, and all that, they did accept it.

MR. WHITE: You see what has happened.

H.M.JR: If I had to do it over again and you showed me the Monnet letter and they pointed out those two paragraphs today, I would sign it.

MRS. KLOTZ: You would, under the impression that State and FEA were pulling a fast one and had promised them lend-lease?

H.M.JR: There is no question in my mind he couldn't manage this thing. Twitty came in here yesterday and said, "Mr. Morgenthau, I understand that you have thrown a monkey-wrench into this thing; it was to have been signed by last Tuesday." That is what he told me.

Then I called up Clayton and said, "Let me ask you a question. Were you people ready last Tuesday to sign a master agreement?"

"Clayton: 'I think we probably were. We had the agreement all ready, and that was what we thought ought to be done.'"

"H.M.: 'Yes.'"

"Clayton: 'That we'd sign a master agreement with them, and then work out the details of the implementation of it as to what they would get and how.'"

"H.M.: 'Well, he had part of it.'"

I guess I must have told them. Let me go back.

MRS. KLOTZ: Tuesday of--

H.M.JR: "H.M.: 'I just thought I'd tell you that somebody has leaked the story on this French Lend-Lease.'"

"Clayton: 'A man named Twitty, I think it is, had called in and wanted to get some information, but you wouldn't give it to him.'"

"H.M.: 'Well, he's got it, you know, that I threw the monkeywrench in.'"

They were ready to sign it last Tuesday.

MR. WHITE: I have another bit of information that I forgot about.

H.M.JR: But it is too bad we couldn't work it out in the room together without somebody leaking it. Let me just finish. This is what I think happened, and I haven't told you this. I don't know who, but somebody told Twitty it was ready last Tuesday. I threw the monkeywrench. I told him enough, but I didn't tell him about the Army. I did take care of myself. I think what happened was that Monnet and Harry Hopkins were going to do the grand bold gesture, fly together, because Clayton told me they were going to fly together, and in their pocket was to be this agreement. Monnet was to arrive with Harry Hopkins and the master agreement and hand it to DeGaulle, and Hopkins would build himself up, and Monnet would build himself up.

MR. WHITE: I couldn't understand why it had to be Sunday and not Monday or Tuesday. Remember, I said there were seven planes a day leaving.

H.M.JR: Now you know. Hopkins left on that Sunday.

MRS. KLOTZ: And Mr. Clayton told you that?

MR. WHITE: That is the explanation. What is the date of that note? I have another bit of information. Clayton called me up on January 22, I think it was that day, to say that this was what he was sending over. He read it over the phone. He said, "How does it sound?"

I said, "You know how things are over the phone. Didn't you take a couple paragraphs out of our letter?"

He said they had.

I said, "They sound all right, but I couldn't make a decision like that. You miss things hearing them over the phone. Will you send all the documents you propose to send to Monnet and we will give consideration."

He sent this document over, and I called a meeting. He may have gotten out of my conversation on the morning of the 22nd a feeling that everything would be all right.

H.M.JR: Well, I wanted to get it straight among ourselves.

MRS. KLOTZ: You have got them all together.

H.M.JR: This group here--

MR. WHITE: This was left out, but it will have to be added.

H.M.JR: I looked at that; it wasn't added. Of course, I am not suspicious, so--

MR. WHITE: I didn't think we were in anyway--

MR. GLASSER: I didn't consider this terribly important.

MRS. KLOTZ: It was in Mr. Morgenthau's mind, because he didn't know of its existence. It wasn't in your minds. Don't walk off with those.

MR. WHITE: Is this your file?

H.M.JR: It is also clear that Hopkins and Monnet were to have stayed together.

MR. WHITE: Why didn't he mention that? Of course, that explains why he was practically in tears when he came to see me on Thursday.

MRS. KLOTZ: You had a little note attached to this 23rd letter, and you said on that that Monnet was going to die the minute he knew that this had reached the State Department, or something to that effect.

MR. WHITE: I said this was going to throw him into a dither because we wanted to have this discussion first. He was supposed to have left last Sunday, and he saw me before then.

MRS. KLOTZ: He told me the very day he saw you -- he saw you that evening he saw me; you told me that.

MR. WHITE: And that was before Sunday.

MRS. KLOTZ: Yes, before this last Sunday, last week.

H.M.JR: He saw you in the afternoon and Mrs. Klotz that evening.

MR. WHITE: Saturday evening.

H.M.JR: He saw you in the afternoon and--

MR. WHITE: That was prior to Sunday.

MRS. KLOTZ: What I think, Mr. Morgenthau, I remember in my own mind, it must have been the day after the twenty-third, because this letter had gone over to State Department, and then I think he came to see us.

MR. WHITE: The 23rd, yes, and that was all before the Sunday he planned to leave. He was in a dither because he felt that all his plans, as you explained them now which make sense, were going up in smoke. He expected

to go back with Hopkins and the lend-lease agreement, and his mission would have been a success. He would have been a big shot; Hopkins would have been. Then along comes this monkeywrench from his point of view, and he gave all kinds of pressure against me showing that the political situation would be bad unless he came with something, and he wouldn't delay his departure.

H.M.JR: I didn't tell Twitty it was a White monkeywrench.

MR. WHITE: With wooden and glass handles.

MRS. KLOTZ: Oscar Cox came over to you that day and said, "Mr. Morgenthau, you have done so much for the French," and I think he was the one who started the whole thing off.

H.M.JR: He started them off?

MRS. KLOTZ: He got them into the thing and said, "What do you mean I am holding the thing up?"

From the time Oscar Cox came over you got started on this. That I am sure of.

MR. WHITE: You got started at the luncheon here with the State Department when Stettinius asked you to wait after lunch and discuss a number of things. One of the things he had was this French thing.

H.M.JR: That was January 4.

All right.

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January 31, 1945

Dear Jack:

In accordance with our conversation, I am sending you herewith copies of correspondence on the proposed Lend-Lease Agreement with France.

Yours sincerely,

~~(Signed)~~ Henry

The Honorable John J. McCloy,
Assistant Secretary of War,
War Department,
Washington, D. C.



DEPARTMENT OF STATE
WASHINGTON

January 25, 1945

My dear Mr. Secretary:

Upon receipt of your letter of January 18 addressed to the Secretary, concerning a lend-lease agreement for France, I replied on his behalf in a letter, dated January 22, and expressed agreement with your view that lend-lease for France, both in munitions and in non-munitions, generally should rest on the same principles as lend-lease for Great Britain. I also stated that I had asked Mr. Clayton to discuss with Mr. White and Mr. Oscar Cox a text of an agreement which could be presented to Mr. Monnet early this week. It was my understanding that you were in agreement with the Foreign Economic Administration and the Department that a master lend-lease agreement should be signed with the French, and that, thereafter, representatives of the three agencies should hold discussions with French representatives concerning the nature of the supply program to be undertaken and the terms upon which supplies would be furnished.

Apparently, my letter crossed a second letter from you which was received in the Department on January 23, in which you suggested that before a lend-lease agreement is entered into with the Provisional Government of France, a determination should be made as to the extent to which we deem it appropriate that the French should use their gold and dollar exchange resources in meeting their non-munitions requirements. Since this suggestion is at variance with what I understood to be the position of the three agencies, I would like to bring the matter to your attention again.

The Provisional Government of France has now been recognized by this Government, and for the past several months the French nation has participated with us and our Allies in the prosecution of the war in Europe. In view of our political policy with respect to the Provisional Government

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

of



of France, the Department is anxious that our lend-lease relations be placed on the same general basis as is the case with respect to Great Britain and Russia, and therefore it seems desirable to offer a master lend-lease agreement to the French representatives for signature at this time.

Of course, I am in agreement with you that after such a document has been signed, it will be necessary for representatives of the Treasury Department, the Foreign Economic Administration and this Department to agree upon the amount of French dollar and gold assets, including the holdings of the Bank of France, which we would consider to be a satisfactory position for France so long as non-munitions are being furnished under lend-lease, and to determine the extent to which we deem it appropriate that the French gold and dollar exchange resources should be used in meeting the non-munitions requirements. As you know, the provisions of the master agreement will not prejudice our discussions of these matters, but will merely provide a general framework for our lend-lease relations with France.

Since the Department believes that it would be unwise to delay longer the signing of a master lend-lease agreement in view of the present political situation, may I ask that you advise me whether you have any further objection to the submission of the text of such an agreement to the French this week?

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Arthur T. Pearson". The signature is written in dark ink and is positioned below the typed name "Arthur T. Pearson".

Arthur T. Pearson
Acting Secretary



DEPARTMENT OF STATE
WASHINGTON

January 22, 1945

Dear Mr. Morgenthau:

Your letter of January 18, addressed to the Secretary, expressing your view that lend-lease for France, both in munitions and in non-munitions generally should rest on the same principles as lend-lease for Great Britain, has been referred to me.

I agree entirely with your views and believe that we are all ready to proceed with discussion of a Master Lend-Lease Agreement with the French. I have accordingly asked Mr. Clayton to call together Mr. White and Mr. Oscar Cox to go over a text which could be presented to Mr. Monnet early this week.

Sincerely yours,



Under Secretary

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



Dear Ed:

Reference is made to the letter which your Department has suggested be sent to Jean Monnet, in which is proposed a master lend-lease agreement between this Government and the Provisional Government of France.

As stated in my letter of January 18, the United States should determine the extent to which we deem it appropriate that the French should use their gold and dollar exchange resources in meeting their non-munitions requirements and lend-lease aid should be programmed accordingly. It is my view that this determination should be made prior to the time that any lend-lease agreement is entered into. In that way we will have a clearer understanding of the type of program which the lend-lease agreement contemplates, thereby avoiding basic misunderstandings with the French after the agreement is signed.

It would suggest, therefore, as the first step, that your Department, our Department and the Foreign Economic Administration get together and agree upon the amount of French dollar and gold assets, including the holdings of the Bank of France, which we would consider to be a satisfactory position for France so long as she is obtaining lend-lease aid in non-munitions from this country. In arriving at such an understanding, it will be necessary to ascertain the approximate amount of dollars which the French owe us at the present time for supplies shipped to France and North Africa, as well as a reasonable estimate of the amount of dollars which the French may be expected to owe us in the near future for civilian supplies shipped to French areas under the military program.

Furthermore, it would seem desirable that no lend-lease agreement should be signed with the French until they have

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paid the dollars which they owe us for civilian supplies furnished to France and French North Africa, and until definitive arrangements are made so that we will actually receive periodic payments for these civilian supplies which we will be furnishing to the French in the future and which it is understood they are to pay for in dollars.

I am sending a copy of this letter to Mr. Crowley.

Very truly yours,

Secretary of the Treasury.

W. H. C. ...

Secretary of State.

Memorandum - UNITED STATES GOVERNMENT

DATE January 22,
1945

TO : Mr. Harry White

FROM : Mr. John Ferguson *J.Ferguson*

Enclosed are copies of a proposed letter to M. Monnet and master lend-lease agreement, which Mr. Clayton has asked me to send to you.

CONFIDENTIAL

JNF:ELS

CONFIDENTIAL

My dear Monsieur Monnet:

I am enclosing a master lend-lease agreement which this Government is prepared to propose for signature with the Provisional Government of France. If this is acceptable to the Provisional Government of France and signed by our two Governments, we shall be in a position to discuss with you the supply program to be undertaken.

In working out the non-munitions portion of the program, we will wish to consider the status, actual and prospective, of the French gold and dollar balances and determine to what extent your Government will be in a position to use its gold and dollar exchange resources in meeting such non-munitions requirements.

Naturally, it should be understood that any lend-lease program for the French worked out in advance at this time will not constitute a firm commitment, but that actual delivery will be subject to the changing demands of strategy, to supply and transport considerations and the usual considerations of procurement and allocation.

Sincerely yours,

William L. Clayton,
Assistant Secretary

M. Jean Monnet,

Commissaire en Mission,

Provisional Government of the French Republic,

1800 Massachusetts Avenue, N.W.,

Washington, D.C.

FRANKLIN D. ROOSEVELT
ROBERT H. L. HENRIKSEN
SECRETARY

PRINCIPLES APPLYING TO MUTUAL AID IN THE
PROSECUTION OF THE WAR AGAINST AGGRESSION

Preliminary Agreement between the United
States of America and the Provisional
Government of France.

Whereas the Government of the United States of America and the Provisional Government of France declare that they are engaged in a cooperative undertaking, together with every other nation or people of like mind, to the end of laying the bases of a just and enduring world peace securing order under law to themselves and all nations;

And whereas the Government of the United States of America and the Provisional Government of France, as signatories of the Declaration by United Nations of January 1, 1942, have subscribed to a common program of purposes and principles embodied in the Joint Declaration, known as the Atlantic Charter, made on August 14, 1941, by the President of the United States of America and the Prime Minister of the United Kingdom of Great Britain and Northern Ireland;

And whereas the President of the United States of America has determined, pursuant to the Act of Congress of March 11, 1941, that the defense of any French territory not under the control of the Axis is vital to the defense of the United States of America;

And whereas the United States of America has extended and is continuing to extend to the Provisional Government of France aid in resisting aggression;

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BOARD OF ECONOMIC WARFARE
OFFICE OF EXECUTIVE DIRECTOR
WASHINGTON

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And whereas it is expedient that the final determination of the terms and conditions upon which the Provisional Government of France receives such aid and of the benefits to be received by the United States of America in return therefor should be deferred until the extent of the defense aid is known and until the progress of events makes clearer the final terms and conditions and benefits which will be in the mutual interests of the United States of America and France and will promote the establishment and maintenance of world peace;

And whereas the Government of the United States of America and the Provisional Government of France are mutually desirous of concluding now a preliminary agreement in regard to the provisions of defense aid and in regard to certain considerations which shall be taken into account in determining such terms and conditions and the making of such an agreement has been in all respects duly authorized, and all acts, conditions and formalities which it may have been necessary to perform, fulfill or execute prior to the making of such an agreement in conformity with the laws either of the United States of America or of France have been performed, fulfilled or executed as required;

The undersigned, being duly authorized by their respective Governments for that purpose have agreed as follows:

Article I

The Government of the United States of America will continue to supply the Provisional Government of France with such defense articles, defense

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EXHIBIT 1
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services, and defense information as the President of the United States of America shall authorize to be transferred or provided.

Article II

The Provisional Government of France will continue to contribute to the defense of the United States of America and the strengthening thereof and will provide such articles, services, facilities or information as it may be in a position to supply.

Article III

The Provisional Government of France will not without the consent of the President of the United States of America transfer title to, or possession of, any defense article or defense information transferred to it under the Act of March 11, 1941 of the Congress of the United States of America or permit the use thereof by anyone not an officer, employee, or agent of the Provisional Government of France.

Article IV

If, as a result of the transfer to the Provisional Government of France of any defense article or defense information, it becomes necessary for that Government to take any action or make any payment in order fully to protect any of the rights of a citizen of the United States of America who has patent rights in and to any such defense article or information, the Provisional Government of France will take such action or make such payment when requested to do so by the President of the United States of America.

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Article V

The Provisional Government of France will return to the United States of America at the end of the present emergency, as determined by the President of the United States of America, such defense articles transferred under this Agreement as shall not have been destroyed, lost or consumed and as shall be determined by the President to be useful in the defense of the United States of America or of the Western Hemisphere or to be otherwise of use to the United States of America.

Article VI

In the final determination of the benefits to be provided to the United States of America by the Provisional Government of France full cognizance shall be taken of all property, services, information, facilities, or other benefits or considerations provided by the Provisional Government of France subsequent to March 11, 1941, and accepted or acknowledged by the President on behalf of the United States of America.

Article VII

In the final determination of the benefits to be provided to the United States of America by the Provisional Government of France in return for aid furnished under the Act of Congress of March 11, 1941, the terms and conditions thereof shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of worldwide economic relations. To that end, they shall include provision for agreed action by the United

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States of America and France, open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers; and, in general, to the attainment of all the economic objectives set forth in the Joint Declaration made on August 14, 1941, by the President of the United States of America and the Prime Minister of the United Kingdom.

At an early convenient date, conversations shall be begun between the two Governments with a view to determining, in the light of governing economic conditions, the best means of attaining the above-stated objectives by their own agreed action and of seeking the agreed action of other like-minded Governments.

Article VIII

This Agreement shall take effect as from this day's date. It shall continue in force until a date to be agreed upon by the two Governments.

Signed and sealed at Washington in duplicate this _____ day of _____, 1945.

For the Government of the United States of America

E. R. Stettinius, Jr.
Secretary of State

Provisional Government of France

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JAN 18 1945

Dear Sir:

This is in reply to the letter of January 15 from the Acting Secretary of State confirming that the French Lend-Lease document which was before the President at Quebec has been superseded and stating that your Department awaits the Treasury's views on the appropriate type of Lend-Lease program for France.

It is the Treasury's view that Lend-Lease for France, both in munitions and in non-munitions generally should rest on the same principles as Lend-Lease for Great Britain. In working out the non-munitions program for the French the criterion of the amount of aid to be rendered should be the status, actual and prospective, of their gold and dollar balances. The United States should determine the extent to which we deem it appropriate that the French should use their gold and dollar exchange resources in meeting their non-munitions requirements and Lend-Lease aid should be programmed accordingly.

Naturally it should be understood that any Lend-Lease program for the French worked out in advance at this time will not constitute a firm commitment but that actual delivery will be subject to the changing demands of strategy, to supply and transport considerations and the usual considerations of procurement and allocation.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of State.



DEPARTMENT OF STATE
WASHINGTON

January 13, 1945

CONFIDENTIAL

My dear Mr. Secretary:

In the absence of the Secretary I wish to say in reply to your note of January 10th that the French Lend-Lease document which was before the President at Quebec last September was completely superseded by a document providing for a more restricted arrangement which was discussed on January 6th by Mr. Clayton with Mr. White and Mr. Oscar Cox.

At that time Mr. Cox suggested that under the present circumstances an overall master lend-lease agreement with the French would be desirable. Mr. White was sympathetic with this approach but indicated that he would wish to consider the matter further within the Treasury. The Department has been waiting, therefore, for an indication of the Treasury's views on the appropriate type of lend-lease program.

Sincerely yours,

Acting Secretary

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



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1/31/45

○ This is the proposed press release
which the State Department prepared.
It was decided not to use it.

MEMORANDUM

January 31, 1945

Subject: Relations with French

1. Discussions are proceeding satisfactorily concerning a French lend-lease agreement. We feel that these discussions are nearing a conclusion so that definite proposals may be presented to the French soon. The procurement and shipment of civilian supplies for France has not in any way been delayed by these discussions.

2. We are satisfied that there has been no obstruction to the shipping arrangements worked out in the recent Hopkins-Law conversations. We believe that the agreed allocation of ships for the lifting of French civilian supplies during January, February and March is being and will be carried out.

3. Conferences among U.S. Government departments during the past few days have made excellent progress on the proposal to merge into one French national import program, all matters relating to the procurement, shipment and distribution of French civilian supplies.

LA:SAM:MC
1-31-45

1/31/45-

DICTATED BY OSCAR COX

Secretary of the Treasury Henry Morgenthau, Jr., Foreign Economic Administrator Leo Crowley, and Acting Secretary of State Joseph Grew, representing the United States Government, and Jean Monnet, representing the Provisional Government of France, announced that:

Discussions are now going on between the two Governments with reference to the vital supplies and services necessary for the prosecution of the war, which are to be furnished to France under Lend-Lease and to the United States under Reverse Lend-Lease by France. The discussions have not yet been concluded. The discussions are proceeding on a friendly and cooperative basis.

Pending the outcome of the discussions, supplies and services are being furnished on an agreed interim basis by each Government to the other. Substantial quantities of Reverse Lend-Lease aid have already been supplied and are continuing to be supplied by the French to our armed forces in Western Europe. The United States is furnishing, with the full cooperation of our own and the Allied military authorities, as much war production and other vital supplies as is possible in the light of existing military operations, shipping, port, and other war conditions.

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In reply please
refer to 78012

JAN 31 1945

My dear Mr. Grew:

I have your letter of January 29, 1945, referring to the recent Treasury licenses (Nos. W-2377 and W-2380) issued in connection with the transfer to the custody of the French Provisional Government of the art objects and exhibition material for which the Trustees of the National Gallery of Art have been the custodians.

It is very gratifying to me that matters of mutual interest to the two Departments can be handled in such a satisfactory manner. Insofar as lies within our province, we shall make every effort to enhance this relationship.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Joseph C. Grew,
Acting Secretary of State.

O'FLAHERTY:SHWARTZ:cps 1-31-45

Regraded Unclassified

White - 9100



DEPARTMENT OF STATE
WASHINGTON

January 29, 1945

In reply refer to
SWP 851.403/1-945

My dear Mr. Secretary:

I have received the letter from your Department of January 9, 1945, no. 79135, transmitting a copy of Treasury License No. W-2377, issued at the request of the Department of State, authorizing the Trustees of the National Gallery of Art to transfer to the custody of the French Provisional Government the art objects and exhibition material entrusted to the custodianship of the Trustees pursuant to License No. W-2144. Likewise enclosed with the Treasury Department's letter was a copy of a second license, No. W-2380, authorizing the French Ambassador at Washington to treat the art objects and exhibition material in question as the property of a generally licensed national.

In a communication dated January 18, 1945 the French Ambassador was apprised by the Department of the action taken by the Treasury Department in the above connection. The solution of this problem in the manner indicated is a matter for satisfaction on the part of this Department and I desire to express to you, and to the officials of your

department

The Honorable

Henry L. Morgenthau,

Secretary of Treasury.



department who handled the details, thanks for the spirit of cooperation displayed. In this connection I should like particularly to mention Mr. Edward W. O'Flaherty of the Foreign Funds Control.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Joseph P. Kamp". The signature is written in dark ink and is positioned below the typed name "Acting Secretary".

Acting Secretary

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

279

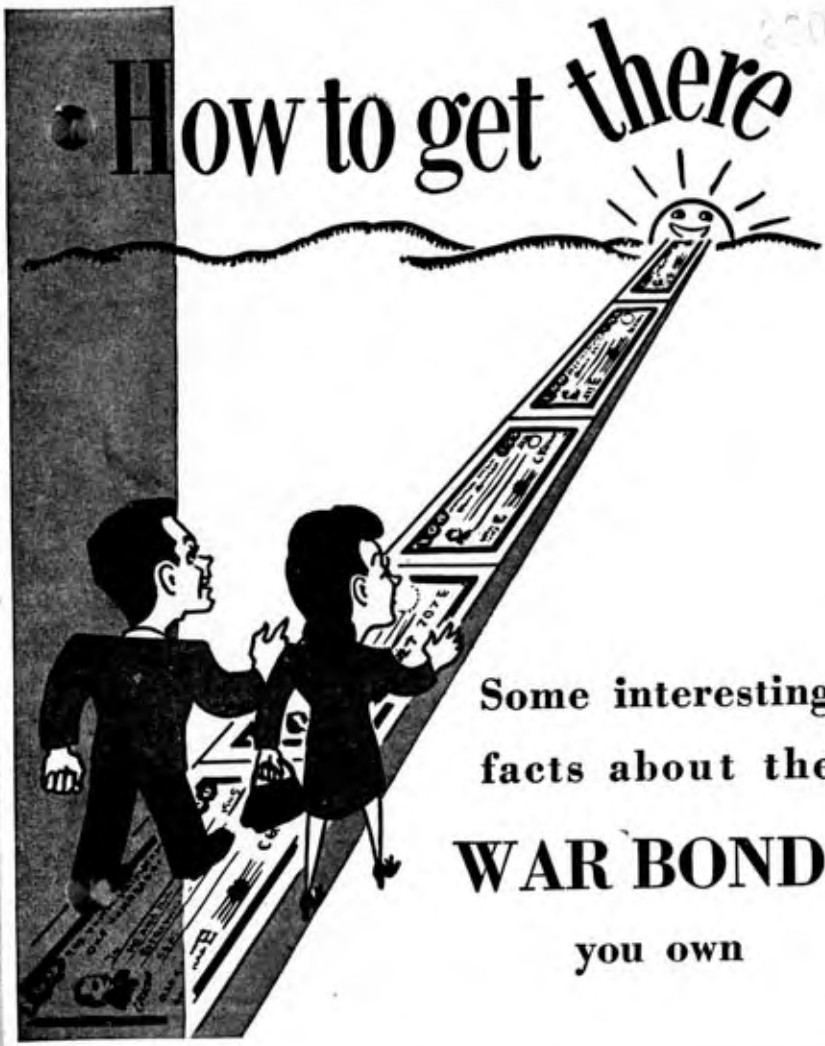
*Wm
Rau*

DATE 1/31/45

TO: Secretary Morgenthau
FROM: Ted R. Gamble

Attached is a piece of new material, "How to get there". This is to be used in connection with our interim payroll savings drive, part of which will be the movie for which you were recently "shot". I call your attention to the use made of your letter on page 1 of this pamphlet.

How to get there



Some interesting
facts about the
WAR BONDS
you own

A MESSAGE



THE SECRETARY OF THE TREASURY
WASHINGTON

TO THE OWNERS OF WAR BONDS

We know what your War Bonds have meant to the Government and to the War, but do you know how much they can mean to you?

For the past three years you have been investing your savings in a security unique in the history of Government financing — the E Bond. This Bond was especially designed for your protection. It's yours in your name, and it has the guarantee of the greatest concern in the world — the United States Government.

It has special privileges such as joint-ownership, the right to name a beneficiary, guaranteed values and — if held to maturity — will pay a rate of return not obtainable on any like security anywhere.

As Secretary of the Treasury, I can assure you that the Government will stand back of this Bond and fulfill every provision of it. It will be paid precisely and exactly according to the terms under which it was issued.

You have only to hold on to your Bonds to receive the maximum return, for they are designed to favor those who hold them the longest. Keep buying them regularly and hold them to maturity.

Sincerely,

from the Secretary of the Treasury

Do you know

that this is what happens when you pay \$75 for a \$100 Bond?

After 2 years it's worth \$76.50
 After 4 years it's worth \$80.00
 After 6 years it's worth \$84.00
 After 8 years it's worth \$92.00
 In 10 years it's worth \$100.00

And—if you save regularly each week this is what will happen:

WAR BOND TIMETABLE			
Weekly Savings	SAVINGS AND INTEREST ACCUMULATED		
	In 1 Year	In 5 Years	In 10 Years
\$3.75	\$195.00	\$1,004.20	\$2,163.45
6.25	325.00	1,674.16	3,607.54
7.50	390.00	2,009.02	4,329.02
9.38	487.76	2,513.42	5,416.97
12.50	650.00	3,348.95	7,217.20
15.00	780.00	4,018.67	8,660.42
18.75	975.00	5,024.24	10,828.74

Set your goal. Then keep on buying and holding War Bonds until you reach your objective.

And here are some of the really big things the money you save can buy.

EDUCATION FOR YOUR YOUNGSTERS

Do You Know

that the average cost of a college education for your boy or girl, including tuition and board, at a State university is about \$500* a year, or \$2,000 for the whole 4 years?



The War Bonds you buy now *regularly* will come in handy when your children go to college—and will need money *regularly*.

** This will vary according to location and type of college.*

\$100 A MONTH EVERY MONTH

Do You Know

if you invest \$75 each month in War Bonds and keep it up for 10 years you will then have a \$100 Government check coming to you every month for the following 10 years?



BUY AND HOLD ENOUGH WAR BONDS TO GIVE YOU AT LEAST A MINIMUM LIVABLE INCOME FOR 10 YEARS IN 10 YEARS.*

** Social Security starts at age 65.*

THAT HOME OR FARM

Do You Know

you can have that house, farm, or cabin in the hills in 10 years and at 75 cents on the dollar by buying War Bonds now?



Now is the time to decide what you need to save to get it place of your dreams.

FREEDOM FROM WORRY

Do You Know

each day of sickness costs an average of \$8*—and that a *big part of family indebtedness* is the result of debt contracted because of *prolonged illness*, and other unpreparedness for emergencies?



BUY AND HOLD ENOUGH WAR BONDS AGAINST SUCH EMERGENCIES AND SAVE YOURSELF AND YOUR FAMILY THIS FINANCIAL STRAIN AND WORRY.

** Out-of-pocket cost—not considering loss of pay.*

A BUSINESS FOR YOURSELF

Have you thought about—*Going into business for yourself?*

Here are some businesses and how much it takes to start:

Filling Station \$2,245	Hardware Store \$5,000
Beauty Shop . . . 2,000	Dress Shop 5,000
Grocery Store . 3,000	Saw Mill 6,500
Men and Women's Shoe Store \$7,500	



BUY AND HOLD ENOUGH WAR BONDS AND YOU'LL BE SET TO OPEN A SMALL BUSINESS BY YOURSELF OR WITH A PARTNER.

FOOD, RENT, CLOTHING—(Just in Case)

Do You Know

what it would cost your family to live for the next 6 months?

One Month's Outgo:

Rent	\$.....
Food	\$.....
Clothing	\$.....
Miscellaneous	\$.....
Total, \$.....	× 6 mo. \$.....



Figure out yourself what you would need. Just in case—and then!

BUY AND HOLD ENOUGH WAR BONDS TO PROVIDE FOR THOSE THINGS—JUST IN CASE.

AND IN THE MEANTIME—

YOU DO KNOW

that your money is helping pay for the planes, tanks, ships, ammunition, and the important medical and hospital supplies to bring the boys back quickly so that they may share with you the plans and hopes of a post-war world.



Your War Bonds are designed to play an important part in your future.

America is and always has been
THE LAND OF OPPORTUNITY

You have the opportunity for financial independence if you set up a savings plan—and—

***Buy and hold War Bonds
to carry it out!***



WFD-980

☆ U. S. GOVERNMENT PRINTING OFFICE 16-42789-1

25

January 31, 1945.

Dear Eddie:

Thank you for your memorandum passing on to me a War Bond slogan which you saw on the posters in England. I appreciate your letting me have this information and shall see to it that Ted Gamble, and others in the War Finance Division, know of it.

With best regards,

Sincerely,

(Signed) Henry

Brig. Gen. Edward S. Greenbaum,
Office of the Under Secretary,
War Department,
Washington, D. C.

GEF/dbs

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

617/30
Hulse-
Dunlop-

27 January 1945

MEMO To Secretary Morgenthau

When I was in England I noticed War Bond posters which seemed to me most effective. They read:

"You will be glad you kept on saving!"

You may wish to consider using this or a similar slogan here to encourage continued buying of war bonds and not cashing them in.

E.S.G.

Edward S. Greenbaum
Brig. Gen., U.S.A.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

AA
DATE Jan. 31
1945

TO Secretary Morgenthau
FROM J. W. Pehle

I attended a meeting this afternoon in the office of Senator Myers of Pennsylvania attended by a delegation from the Philadelphia Chamber of Commerce and the Board of Trade urging the establishment of a Regional Office at Philadelphia. They left with me a letter documenting a case for the establishment of such office.

I will send to you shortly a memorandum giving you my recommendations with respect to this matter.



THE WHITE HOUSE
WASHINGTON

January 31, 1945

MEMORANDUM FOR THE SECRETARY OF THE TREASURY:

Referring to your letter of January seventeenth regarding the appointment of the Annual Assay Commission, I am sending you a list of names which have been approved by the President.

William D. Hassett
WILLIAM D. HASSETT
Secretary to the President

NAMESUBMITTED BY

Mr. Andrew Augustine
4401 Disston Street,
Philadelphia, Pa.

Hon. Joseph F. Guffey,
Senator from Pennsylvania

Mrs. Mabel E. Murphy,
8 East Union Street,
Bordentown, N. J.

Hon. Mary Norton,
Congresswoman from New Jersey

Mrs. Mary Riley,
131 Crystal Avenue,
New London, Conn.

Hon. Chase Going Wodehouse,
Congresswoman from Connecticut.

Mr. L. B. Macurdy,
Division of Weights and Measures,
National Bureau of Standards,
Washington, D. C.

Dr. Lyman Briggs, Director,
National Bureau of Standards,

Mr. J. J. Seeger,
20 Blackston Boulevard,
Providence, R. I.

Hon. Robert Hannegan, Chairman,
Democratic National Committee.

Mrs. David Levy,
300 Park Avenue,
New York, New York

Mrs. Charles Tillett, Director,
Women's Division,
Democratic National Committee.

Mr. John L. Alperin,
109 West Brookline Street,
Boston, Mass.

Hon. John W. Mc Cormack,
Majority Leader of the Congress,
Massachusetts.

Mr. Max M. Schwartz,
152 West 42nd Street,
New York, N. Y.

Hon. Andrew L. Somers,
Com. on Coinage, Weights and Measures
Congressman from New York.

Mr. Robert Wilson,
Lima, Ohio.
(Mr. Wilson volunteers to
pay his own expenses)

Hon. Robert F. Jones,
Congressman from Ohio.

Mr. H. Glenwood Evans,
Crisfield, Maryland.

Hon. David J. Ward,
Former Congressman from Maryland

Mr. Samuel F. Hoffberger,
215 North Colvert Street,
Baltimore, Maryland.

Hon. William Preston Lane, Jr.,
Democratic National Committeeman,
Maryland.

870
JAN 17 1945

Dear Mr. President:

The Annual Assay Commission, provided for under Section 3547 of the Revised Statutes, will meet at the Mint at Philadelphia, February 14, 1945. The duty of the Commission is to test the weight and fineness of the coins reserved by the several Mints during the preceding calendar year, in order to secure due conformity in the coins to their respective standards of weight and fineness. The members of this Commission are named by Presidential appointment.

The law provides that the Commission shall consist of the Judge of the District Court for the Eastern District of Pennsylvania, the Comptroller of the Currency, the Assayer of the United States Assay Office at New York, and such other persons as the President shall designate.

No compensation is provided for the members of the Commission, but their actual and necessary expenses from home to Philadelphia and return, by the most direct route, and while in attendance at the sessions of the Commission, are reimbursed.

Attached herewith is a list of names of men and women respectfully suggested for appointment as members of this Commission.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The President,
The White House.

Approved:

NAME

Mr. Andrew Augustine
4401 Disston Street,
Philadelphia, Pa.

Mrs. Mabel E. Murphy,
8 East Union Street,
Bordentown, N. J.

Mrs. Mary Riley,
131 Crystal Avenue,
New London, Conn.

Mr. L. B. Macurdy,
Division of Weights and Measures,
National Bureau of Standards,
Washington, D. C.

Mr. J. J. Seeger,
20 Blackston Boulevard,
Providence, R. I.

Mrs. David Levy,
300 Park Avenue,
New York, N. Y.

Mr. John L. Alperin,
109 West Brookline Street,
Boston, Mass.

Mr. Max M. Schwartz,
152 West 42nd Street,
New York, N. Y.

Mr. Robert Wilson,
Lima, Ohio.
(Mr. Wilson volunteers to
pay his own expenses.)

Mr. H. Glenwood Evans,
Crisfield, Maryland.

Mr. Damon G. Douglas,
605 Broad Street
Newark, N. J.

SUBMITTED BY

Hon. Joseph F. Guffey,
Senator from Pennsylvania.

Hon. Mary Norton,
Congresswoman from New Jersey.

Hon. Chase Going Wodehouse,
Congresswoman from Connecticut.

Dr. Lyman Briggs, Director,
National Bureau of Standards.

Hon. Robert Hannegan, Chairman,
Democratic National Committee.

Mrs. Charles Tillett, Director,
Women's Division,
Democratic National Committee.

Hon. John W. McCormack,
Majority Leader of the Congress,
Massachusetts.

Hon. Andrew L. Somers,
Committee on Coinage, Weights and Measures,
Congressman from New York.

Hon. Robert F. Jones,
Congressman from Ohio.

Hon. David J. Ward,
Former Congressman from Maryland.

Hon. A. W. Hawkes,
Senator from New Jersey.

Ex Officio Members

Honorable William H. Kirkpatrick, Judge of the District Court,
Eastern District of Pennsylvania.

Honorable Preston Delano, Comptroller of the Currency,

Mr. Joseph S. Buford, Chief Assayer, U. S. Assay Office, New York.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE
January 31, 1945

TO Secretary Morgenthau
FROM Mr. Luxford

For Your Information: Murray Bill Comment

On January 29th, Senator Murray inserted in the Congressional Record letters he had received from executive department heads commenting on the Murray "full employment" bill.

The letters were all sympathetic and I thought you might be interested in the following excerpts:

From Mr. Crowley:

"I am wholeheartedly in favor of the objectives sought to be attained by the bill and the approach taken toward that end. Every American able and willing to work has the right to a useful and remunerative job and it should be, as section 2 declares, the responsibility of the Government to guarantee that right by creating conditions which will tend to bring about continuing full employment."

* * *

" * * But, if private enterprise cannot alone meet this burden, direct Government investment and expenditures which not only will assure full employment but will add to the wealth of the Nation must, as the bill provides, be undertaken."

* * *

"I have been advised that the Bureau of the Budget has no objection to the submission of this report."

- 2 -

From Mr. Stettinius:

"As you know, my associates and I are most interested in the development of an effective program for full employment in the United States. Such a program is intimately related to our general efforts to build a secure and prosperous world in the post-war period. Therefore, it is essential that the specific methods which are employed to promote high and stable levels of productive employment should be formulated with a view to their international implications."

From Mrs. Perkins:

" * * There has developed a realization that it is the responsibility of governments to provide an economic framework which will minimize the dislocations that lead to depression and to intervene directly to maintain employment opportunities when other measures fail. At the International Labor Conference in Philadelphia the United States Government accepted and sponsored the principle that each government recognizes its duty to maintain a high level of employment."

From Mr. Wickard:

"Your draft bill 'to establish a national policy and program for assuring continuing full employment' is a proposal of real importance and significance. Any proposal to relate our Federal fiscal policies to our national economy in such a way as to maintain full-employment and insure high levels of business activity is worthy of our deepest consideration. Such a proposal is of equal significance to all segments of our economy, including agriculture."

From Mr. Bowles:

"I therefore strongly favor the assumption of this responsibility [for full employment] by the Federal Government through legislation carefully drawn and fully debated by the Congress. The draft bill to establish a program for assuring full

- 3 -

use of our resources of productive power and of manpower seems to me to be intelligent and practical steps toward carrying out this principle."

* * *

"A firm commitment by Government to devote to useful public projects any portion of our national resources which would otherwise run to waste in idleness should actually minimize the contribution which the Federal Government will have to make to keep total national expenditures, public and private, up to full employment levels."

From Mr. Blandford:

"The objective of full employment, sought first and primarily through the medium of private enterprise, secondly, through public stimulation and assistance to private enterprise, and thirdly, by useful and necessary supplementary programs financed in whole or in part by the Government, is an objective upon which there is now fairly common agreement."



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Prepared by Treasury for use
of Mr. Wallace

100-45 233

Financing for Small Business

In my testimony before your Committee on January 25, 1945 I promised an expanded statement of my views on helping small businessmen to obtain needed financing.

Now I want to make it perfectly clear to begin with that assistance to the small businessman is a prerequisite to healthy free enterprise. I believe that free enterprise means more than the right of established business organizations to produce and sell goods under competitive conditions. I believe that free enterprise must also mean the opportunity to move up the economic scale from worker to owner. It must mean the opportunity for the efficient and successful small businessman to expand in proportion to his ability. We must make sure that lack of adequate capital to finance new and expanding business does not become a bar to healthy economic advancement.

Private enterprise in the United States can survive only if it expands and grows, and it can expand and grow only if new enterprises are born and permitted to develop. The lifeblood of private enterprise in America is the new business and the small business. Without more and prosperous small businesses it will be impossible to maintain a healthy economy and high level of employment. 96 percent of the business enterprises in this country have less than 20 workers. More than one-third of the workers in manufacturing and business firms in the country are employed in enterprises with less than 20 workers. We must not forget that these small businesses are the foundation on which the large businesses of the future will be built.

Contrary to what you may have seen in the press, I am not against big business. I want more business and more business enterprises for this country, — large and small. We can have efficient progressive business in the future only

if we make sure that the seeds for large-scale enterprises are sown far in advance.

It is only when large businesses are constantly exposed to the keen competition of newly-formed and expanding businesses that our economy can remain healthy. The day we make it difficult to establish new business and for efficient small business to grow and expand in competition with large business, that day we sound the death knell of private enterprise and give a vested interest to monopoly. The great danger that lies before us, the threat against which we must protect ourselves is the growing tendency to make it impossible for small businessmen to get enough capital to start and to expand.

There are tremendous new frontiers that await American enterprise. They provide unparalleled opportunity for the millions of the young men and women in the armed forces who will return home and the millions of men and women now engaged in war work who will have to turn to peacetime pursuits. Many of them have acquired specialized knowledge and talent as a result of their wartime experience. America will greatly profit by providing them with an opportunity to use their new knowledge — to use it in the American way. Unless new industrial fields are opened up and old fields are kept open to ambitious and competent young men and women who show reasonable promise for business success, American industry will stagnate. That can mean only unemployment and low wages.

I do not believe the monopolistic businesses of today have any God-given right to keep for themselves the business of this country. Big business must earn the right to remain big by producing at lower cost or by

giving the consumer better goods at the same cost while maintaining and improving working conditions for their employees in harmony with the American standard of life.

The cancer of free enterprise is monopoly. Free enterprise thrives on new businesses and the expansion of the smaller ones that have proved successful. America has stood for unlimited opportunity for the man of energy, imagination and resourcefulness to rise to industrial leadership; and we must insure the continuance of this tradition. The worker must have an opportunity to move from his bench to a small business of his own and through energy and vision build his business into a great enterprise. It was that opportunity which made possible the economic progress of the United States, and it is only by safeguarding this same opportunity that it will be possible for the United States to fulfill its destiny.

There was a time—and not so long ago—when an ambitious young man could start a business of his own with a few thousand dollars. Because of the increased mechanization of industry, and the modernization of marketing techniques even a small-size business if it is to operate efficiently needs far more capital. But facilities for assuring opportunities to raise such capital by small business have not expanded with the growing need. While it is easy enough for a large corporation to float new equity securities of \$10 million or more at a cost of 5 percent of the issue and to sell these securities on a 5 or 6 percent yield basis, it is practically impossible for a small business to secure \$25,000 or \$50,000 for equity capital, except at a cost of 20 to 25 percent of the issue and the securities must then be sold at a yield of 10 or 12 percent, or even more.

Some small business enterprises do manage to raise capital under these onerous terms. Many more prospective enterprises die stillborn because they cannot even begin to pay such high charges. These figures make it clear that even where a man is fortunate enough to be able to secure financing, he does so at a cost which handicaps him in his efforts to compete with the larger concern that has ready access to capital. No one cognizant of the facts can doubt that inadequate arrangements for financing are important deterrents to the development of new business and the expansion of small business in the United States.

This is not a question of idealism. It is a stubborn fact that small business in this country does not have an opportunity to secure the capital it needs for its development and growth. In my testimony on January 25, I called attention to the fact that some investment bankers fully recognize the great need for new lending devices to assure adequate financing for small business. One of these Mr. Ferdinand Eberstadt, an investment banker with whom I served on the War Production Board, has developed a proposal for forming local investment companies or pools of capital to be obtained from local businesses, banks and public spirited citizens and where necessary additional funds could be secured from Governments. Now I call your attention to the fact that Senator Taft has introduced a bill designed to aid in the financing of small business enterprise by providing governmental insurance of long-term loans made by banks and insurance companies and of stock when held in the portfolio of investment companies.

The R.F.C. during the past decade could have been the agency which would have filled this great need. It could have used some of its tremendous resources to help secure financing for small business. It could have struck a tremendous blow for new enterprise and the growth of small enterprise. But it is clear that it has not made use of that opportunity to any significant extent. According to a recent report issued by the Reconstruction Finance Corporation covering its operations for the period from the organization of the Corporation on February 2, 1932, to September 30, 1944, except for loans for national defense, the R.F.C. has made less than 9,000 loans to business enterprises over the last 12 years. This is a piddling number in a country where we have over 3 million small businesses.

I think it is not of overwhelming importance which of several methods we use to help provide financing for small business. It is important only that the government assist small business in securing from private investors some of its risk capital. It is important to do so without fostering ill-conceived, ill-advised and highly speculative ventures and without putting the government in business. The essence of free enterprise is to give well-conceived new business a chance to prove its worth. The capital needed by free enterprise must come from private investors. The role of the government must be limited to that of an insurer of the extraordinary risks that private investors cannot assume in full. We must make sure that financing such enterprises is possible if we are to have free enterprise providing productive employment to American labor and good markets for American agriculture.

The program which I suggested was that the Government should play its part in helping stimulate the growth and expansion of business enterprises in this country in a manner comparable to the way in which this Government

stimulated small home building and home modernization under the F.H.A. program. Just as under the F.H.A. program private homes were built and modernized by private contractors, and financed by private institutions, so under the program I have suggested the business enterprises would be privately owned, privately operated and privately financed. Just as under the F.H.A. program the Government shared with private lenders certain risks involved in financing the building and modernizing of small homes, so under the program I have suggested the Government would be sharing with the private investors certain risks involved in financing the growth of new business and the expansion of existing business. The Government would merely facilitate financing, without in any way acquiring ownership or assuming responsibility for management.

The real enemies of the American way of doing things are those who oppose constructive measures to insure the development and growth of private business in this country. If we make the American system of free enterprise work in time of peace with the same outstanding success that it has achieved in time of war, we need have no reason to fear the spread of any "ism" in this country. If we do not make an American system of free enterprise work then there is real danger that our American way of life will be threatened. The total answer to any threat of the spread of "isms" in this country is production to capacity in peace as we have produced to capacity in war, thus providing full employment and a better life for all.

THE UNDER SECRETARY OF STATE
WASHINGTON

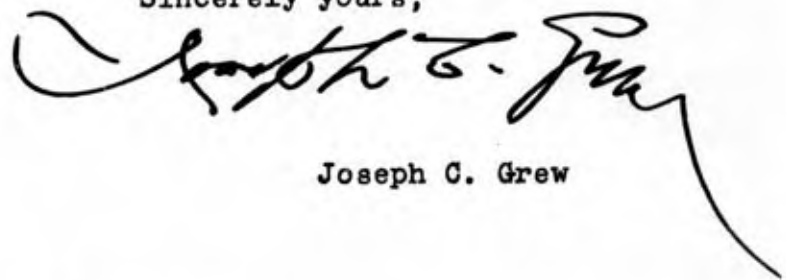
January 31, 1945

CONFIDENTIAL

Dear Mr. Morgenthau:

Thank you very much for sending me, in strict confidence, the photostat of the memorandum signed by the President on January 18 in regard to the proposed legislative program in the foreign affairs field.

Sincerely yours,



Joseph C. Grew

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

JAN 31 1945

Dear Dr. Kung:

I have received your letter of January 18, 1945 enclosing the signed receipt for the check for the amount of \$150,902,760.04 which I attached to my letter of January 17, 1945 to you.

I was pleased to see you looking well when you called on me the other day and to learn that you are rapidly recovering from your recent illness.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Dr. H. H. Kung,
Shoreham Hotel,
2500 Calvert St. N.W.,
Washington, D. C.

ISF/efs 1/29/45

EXECUTIVE YUAN
NATIONAL GOVERNMENT OF CHINA

January 18, 1945.

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

Dear Mr. Morgenthau:

This is to acknowledge with thanks the receipt of your letter of January 17, 1945, and the attached check for the amount of \$150,902,760.04 which you and Dr. White have handed to me in person in the hospital yesterday. This payment is made in addition to the \$25 million transferred in March 1944 for the payment of advances made in February 1944 and \$34,097,239.96 which is on deposit in the name of the U.S. Army Headquarters in Chungking in the Central Bank of China, Chungking, and which is to be transferred to the credit of the Government of the Republic of China. These items total \$210 million which is in payment of U.S. Army expenditures in China incurred up to September 30, 1944. I am enclosing a signed receipt for the check.

I wish to take this opportunity to repeat in writing what I said to you in person how touched I was by your kind visit to the hospital and I wish to thank you and Dr. White again for this act of friendship.

As my physician has told me, although I still have to go through with the operation some day, I am rapidly recovering from my recent illness. I am, therefore, looking forward to an early beginning of discussions with regard to payments for U.S. Army obligations incurred the last quarter of 1944 which you have referred to in your letter. May I take this opportunity again to remind you of the urgency of facilitating the shipment of gold to China and the minting of gold tokens for shipment to China.

With best personal regards,

Sincerely yours,


H. H. Kung

EXECUTIVE YUAN
NATIONAL GOVERNMENT OF CHINA

Receipt

Received from U.S. Treasury check dated January 13, 1945,
No. 7,517,093, to the amount of One Hundred Fifty Million Nine Hundred
Two Thousand Seven Hundred Sixty Dollars and Four Cents (\$150,902,760.04),
which in addition to the \$25 million transferred in March 1944 for the
payment of advances made in the month of February 1944 and \$34,097,239.96
which is on deposit in the name of the U.S. Army Headquarters in Chungking
in the Central Bank of China, Chungking, and which is to be transferred to
the credit of the Government of the Republic of China, is in payment of
U.S. Army expenditures in China incurred up to September 30, 1944. The total
sum involved in this payment is \$210 million which is made in accordance with
the exchange of letters between the Secretary of the U.S. Treasury and the
Chinese Minister of Finance dated November 25, 1944.

Dated: January 14th, 1945.

A. A. King

JAN 31 1945

Dear Dr. Kung:

I am replying to your letter of January 24, 1945 regarding the production of bank notes for the Chinese Government by the Security Bank Note Company.

I am forwarding a copy of your letter, together with copy of enclosure, to Mr. Crowley, Administrator, Foreign Economic Administration, for his consideration, and advising him that in our opinion the procurement of adequate amounts of bank notes is essential to the Chinese war effort.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Dr. H. H. Kung,
Sherehan Hotel,
2500 Calvert St. N.W.,
Washington, D. C.

ISF/efs
1/29/45

EXECUTIVE YUAN
NATIONAL GOVERNMENT OF CHINA

January 24, 1945.

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

My dear Mr. Secretary:

It is my understanding that the Security Bank Note Company recently applied for permission to construct a small addition to their Pittsburgh plant in order to accelerate the production of banknotes for the Chinese Government. This application prompted the War Production Board to make inquiry of the Foreign Economic Administration (Mr Meyers, Extension 2002) as to the critical nature of the production and whether other manufacturing facilities or units could be used. A copy of a memorandum prepared by the Security Bank Note Company giving full details of the particular problem is enclosed for your information.

I am given to understand that if the Treasury could confirm to Mr. Meyers the important nature of the contract that has been given to the Security Bank Note Company, he would be in a position to advise the War Production Board accordingly. I am also informed that the nature of the work makes it very difficult for other manufacturing facilities or units to be used. I would, therefore, much appreciate any assistance the Treasury might be able to give by advising the Foreign Economic Administration of the essential nature of the order which the Security Bank Note Company is fulfilling, so that they may inform the War Production Board and also assist in solving the problems facing the Security Bank Note Company.

Yours sincerely,

H. H. Kung

January 20, 1945

MEMORANDUM

SUBJECT: Application for

- I Extension of Pittsburgh building area
- II Increase in manpower allowance and employment ceiling and/or quota

EXPLANATION:

- A. This memorandum is in response to an inquiry made of our General Agents in connection with our application to the War Production Board on Form WPB-617, our Application Serial No. WPB 592377, dated November 13, 1944, issuing from Security Banknote Company, Republic Division, 3113 Forbes Street, Pittsburgh 13, Pennsylvania, received by the Pittsburgh office of the War Production Board on November 14, 1944, (originally refused locally December 2, 1944; reconsidered locally and refused December 23, 1944; and appealed to Washington), and
- B. Reference is also made to our request for manpower allocation on War Manpower Commission Form 65 dated January 16, 1945, and
- C. ORM Form ES-270 (revised 7-44) of January 16, 1945. Both B and C applications are related to each other and are now pending before the Pittsburgh Regional War Manpower Commission office.

NOTE: Copies of the above-mentioned application forms are attached hereto, marked Enclosures A, B, and C respectively.

PROBLEMS:

Our General Agents advise us that the questions asked of them required our comments to the following:

- (1) What is involved in connection with the construction of the adjunct?
- (2) Is there another place or another source, in or out of the critical manpower areas, in which the currency can be manufactured?
- (3) What is involved in connection with increased manpower to meet increased production?
- (4) Is the work critical?

COMMENTS:

It is proposed in our application to War Production Board to increase our present premises of 65,000 square feet by 3,600 square feet or an approximate increase of 5 per cent involving only 844 construction man hours based on 17 to 20 workers. By the erection of such a small adjunct, together with a comparatively slight increase in manpower, it will be possible to increase Pittsburgh production from 10,000,000 pieces to 60,000,000 pieces

or a production increase of 600 per cent. We feel that the tremendous increase in production thus justifies the construction of the building.

Our present building has been stripped of all extraneous matter, so that the entire building can be used for productive purposes, storage facilities have been secured and leased to the extent of 31,000 square feet, and we have thoroughly considered the possibility of leasing outside manufacturing space. In the latter instance, it would be impossible for us to effect this increased production because of the production methods and protection requirements involved. In production, many interrelated processes are involved. The work must proceed from process to process or machine to machine in orderly sequence. Separate manufacturing areas cannot be utilized unless machinery as well as workers and skilled supervisory personnel is duplicated. Furthermore, in the printing of currency or valuable documents, protective features during manufacture and thereafter are imperative. Of the protective features, a goodly part are structural, and to duplicate them would involve a needless expenditure of protective critical building materials and use of further manpower.

Every effort has been made to sub-contract in both critical and non-critical areas without avail. All potential suppliers, having the necessary building and manufacturing safe-guards, personnel and equipment are fully engaged in the production of United States Government or United Nations work. Indeed, all are already doing Chinese Government work to their maximum capacity. Those manufacturing firms in either non-critical or critical manpower shortage areas with any semblance of the facilities or combination of the facilities required lacked one or more of the following: (a) equipment to produce either the notes themselves or the quantity (b) built in protective features in the buildings, or (c) personnel (skilled, supervisory and inspection). To use any such plant on either a sub-contract or rental basis required (a) acquiring new equipment using critical materials and on which there exists no current production (b) use of critical building materials for protective installation and (c) the transfer and transportation of skilled and supervisory personnel from critical areas such as New York, Brooklyn, Philadelphia, Pittsburgh, Washington, Los Angeles, and Chicago, where skilled labor for the production of this type of work is found, which as a consequence, would have to be replaced and would only involve dipping into the affected manpower reservoirs for more replacement personnel than would be required by us, namely 28 men and 24 women, as is reflected in the following table:

	Male	Female	Total
Present ceiling and/or quota allowance	141	427	568
Present employed			
(a) Ceiling and/or quota applicable	133		
(b) Ceiling and/or quota <u>NOT</u> applicable*	20	153	351
Total requested in WPB/WMC applications			
(a) Ceiling and/or quota applicable	169		
(b) Ceiling and/or quota <u>NOT</u> applicable* 20	189	451	640
Increase in proposed over present ceiling and/or quota	4/28 or 19 1/2 %	4/24 or 5 1/2 %	4/52 or 9 1/2 %

*According to War Manpower Commission regulations:

"The following types of hires shall not be counted in determining whether an establishment has exceeded its total or male employment ceiling:

- a. Individuals under the age of 16.
- b. Bona fide apprentices employed by Class A-1 and A-2 and Class B-1 and B-2 establishments who are enrolled under a course approved by Federal and/or State Committees on apprenticeship.
- c. Students during off-school hours.
- d. Students during vacation periods.
- e. Clients of the Bureau of Rehabilitation, Department of Labor and Industry, Commonwealth of Pennsylvania."

For this reason and only after a careful survey was it considered expedient to house this work within the Pittsburgh plant, where only a minimum increase in the personnel conversant with the essential features of currency or valuable paper production would be necessary.

It can be concluded that Pittsburgh is the only available place for production without involving (1) too great a physical expansion of the factory (2) causing the migration of skilled labor (3) involving in construction the use of highly critical materials necessary for protective purposes (4) taking from other industry or competitive industry, highly skilled supervisory personnel (5) further taxing the presently over-taxed executive personnel of the company (6) requiring any additional coordinated letter-press and litho and plate printing machinery.

In connection with the manpower situation, we should like to point out that coordinated steel plate, litho and letter-press printing, numbering, inspection and checking procedures are items of work in which there exists a limited number of experienced personnel, trained and developed over a long period of years. There is now a critical shortage of such labor due to war requirements and it is only by the intermingling of experienced and semi-experienced workers that present and increased production can be maintained or accomplished. The valuable document manufacturers of the United States have been called upon during these hostilities to produce many times their former quota, while still insuring protection and safety to the product during its processing stages and when processed. We should point out that we are currently producing within our own or sub-contractors' factories as follows:

	<u>Quota</u>	<u>Current Production</u>
Jeffries Banknote Co., Los Angeles	4,000,000 pieces	4,000,000
Hamilton Banknote Co., Brooklyn	5/8,000,000 "	3,000,000
Pittsburgh	80,000,000 "	9/10,000,000
Philadelphia	10,000,000 "	9/10,000,000

all of which companies or plants are presently working three shifts of 48 hours per shift per week with only one day out for repair and maintenance of overtaxed machinery

The Chinese Government has urged us on many occasions to expedite and increase the manufacture of their currency. We have strained every facility to meet their wishes consistent with protection and the elimination of wastage, including man hours, paper and other materials. It is also well known they are utilizing the utmost production capacity of other manufacturers in the United States, Canada, England and China.

The increased production we have entered involves a note especially designed to otherwise eliminate the use of a large manpower requirement, while still adhering to maximum safety and protection to the currency, so that it would not be counterfeited either by counterfeiters in Free China, or particularly by Japanese agencies, which upon counterfeiting, could undermine the currency of China or be used in Japanese productive activities.

As to the essentiality or critical nature of the work, inquiry could be made of Mr. Hai Te-Mou, Resident Director of the Bank of China at 40 Wall Street, New York. Mr. Hai is concurrently Representative of The Central Bank of China and also Representative in the United States of the Ministry of Finance of the Chinese Government.

Those familiar with the politic-economic requirements of China in the successful conduct of the war continually advise us that the Chinese Government considers currency on the highest essential list. They have - to our knowledge - used air space from the United States to transport currency all the way from America into China, and they are causing us to effect continuous shipments as the production is off the line, rather than accumulating over stated periods. We are also told that banknotes "over the hump" take first priority.

As to China's banknote quantity requirements, it is not our prerogative to comment as this is a matter of policy and concern to the Chinese Government. It should be realized that Security has but a minority portion of China's total production requirements; thus it is reasonable to assume that our portion is critical and essential.

Since we have been careful to conserve on our manpower requirements and to tax to the utmost our space requirements, we consider that the small increase in manpower stated and the comparatively small building facilities sought are not only reasonable but an element of production skill and ingenuity upon which our people should be congratulated.

SECURITY BANKNOTE COMPANY

By GEORGE W. GOLDSWORTHY, JR. (Signed)
George W. Goldsworthy, Jr.
Vice President

JAN 31 1945

Dear Mr. Crowley:

I am forwarding herewith photostat of letter dated January 24, 1945 received from Dr. H. H. Kung, together with photostat of enclosure thereto, regarding application which the Security Bank Note Company has made to the War Production Board for permission to construct an addition to their Pittsburgh plant.

I understand that this matter is now under discussion between your agency and the War Production Board.

Dr. Kung has been informed that this matter has been referred to you together with a statement of our opinion that the procurement of adequate amounts of bank notes is essential to the Chinese war effort.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Mr. Lee T. Crowley,
Administrator,
Foreign Economic Administration,
Washington, D. C.

ISF/efs 1/29/45

Regraded Unclassified

EXECUTIVE YUAN
NATIONAL GOVERNMENT OF CHINA

January 24, 1945.

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

My dear Mr. Secretary:

It is my understanding that the Security Bank Note Company recently applied for permission to construct a small addition to their Pittsburgh plant in order to accelerate the production of banknotes for the Chinese Government. This application prompted the War Production Board to make inquiry of the Foreign Economic Administration (Mr. Meyers, Extension 2002) as to the critical nature of the production and whether other manufacturing facilities or units could be used. A copy of a memorandum prepared by the Security Bank Note Company giving full details of the particular problem is enclosed for your information.

I am given to understand that if the Treasury could confirm to Mr. Meyers the important nature of the contract that has been given to the Security Bank Note Company, he would be in a position to advise the War Production Board accordingly. I am also informed that the nature of the work makes it very difficult for other manufacturing facilities or units to be used. I would, therefore, much appreciate any assistance the Treasury might be able to give by advising the Foreign Economic Administration of the essential nature of the order which the Security Bank Note Company is fulfilling, so that they may inform the War Production Board and also assist in solving the problems facing the Security Bank Note Company.

Yours sincerely,

H. H. Kung

January 20, 1945

MEMORANDUM

SUBJECT: Application for

- I Extension of Pittsburgh building area
- II Increase in manpower allowance and employment ceiling and/or quota

EXPLANATION:

- A. This memorandum is in response to an inquiry made of our General Agents in connection with our application to the War Production Board on Form WPB-617, our Application Serial No. WPB 592377, dated November 13, 1944, issuing from Security Banknote Company, Republic Division, 3113 Forbes Street, Pittsburgh 13, Pennsylvania, received by the Pittsburgh office of the War Production Board on November 14, 1944, (originally refused locally December 2, 1944; reconsidered locally and refused December 23, 1944; and appealed to Washington), and
- B. Reference is also made to our request for manpower allocation on War Manpower Commission Form 63 dated January 16, 1945, and
- C. ORM Form ES-270 (revised 7-44) of January 16, 1945. Both B and C applications are related to each other and are now pending before the Pittsburgh Regional War Manpower Commission office.

NOTE: Copies of the above-mentioned application forms are attached hereto, marked Enclosures A, B, and C respectively.

PROBLEMS:

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- (4) Is the work critical?

COMMENTS:

It is proposed in our application to War Production Board to increase our present premises of 63,000 square feet by 3,600 square feet or an approximate increase of 5 per cent involving only 844 construction man hours based on 17 to 20 workers. By the erection of such a small adjunct, together with a comparatively slight increase in manpower, it will be possible to increase Pittsburgh production from 10,000,000 pieces to 60,000,000 pieces

or a production increase of 600 per cent. We feel that the tremendous increase in production thus justifies the construction of the building.

Our present building has been stripped of all extraneous matter, so that the entire building can be used for productive purposes, storage facilities have been secured and leased to the extent of 31,000 square feet, and we have thoroughly considered the possibility of leasing outside manufacturing space. In the latter instance, it would be impossible for us to effect this increased production because of the production methods and protection requirements involved. In production, many interrelated processes are involved. The work must proceed from process to process or machine to machine in orderly sequence. Separate manufacturing areas cannot be utilized unless machinery as well as workers and skilled supervisory personnel is duplicated. Furthermore, in the printing of currency or valuable documents, protective features during manufacture and thereafter are imperative. Of the protective features, a goodly part are structural, and to duplicate them would involve a needless expenditure of protective critical building materials and use of further manpower.

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(b) Ceiling and/or quota <u>NOT</u> applicable*	20	189	451
Increase in proposed over present ceiling and/or quota	1/28 or 19% ¹	1/24 or 5% ¹	1/52 or 9% ¹

*According to War Manpower Commission regulations:

"The following types of hires shall not be counted in determining whether an establishment has exceeded its total or male employment ceiling:

- a. Individuals under the age of 18.
- b. Bona fide apprentices employed by Class A-1 and A-2 and Class B-1 and B-2 establishments who are enrolled under a course approved by Federal and/or State Committees on apprenticeship.
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In connection with the manpower situation, we should like to point out that coordinated steel plate, litho and letter-press printing, numbering, inspection and checking procedures are items of work in which there exists a limited number of experienced personnel, trained and developed over a long period of years. There is now a critical shortage of such labor due to war requirements and it is only by the intermingling of experienced and semi-experienced workers that present and increased production can be maintained or accomplished. The valuable document manufacturers of the United States have been called upon during these hostilities to produce many times their former quota, while still insuring protection and safety to the product during its processing stages and when processed. We should point out that we are currently producing within our own or sub-contractors' factories as follows:

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Pittsburgh	60,000,000 "	9/10,000,000
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all of which companies or plants are presently working three shifts of 48 hours per shift per week with only one day out for repair and maintenance of overtaxed machinery

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The increased production we have entered involves a note especially designed to otherwise eliminate the use of a large manpower requirement, while still adhering to maximum safety and protection to the currency, so that it would not be counterfeited either by counterfeiters in Free China, or particularly by Japanese agencies, which upon counterfeiting, could undermine the currency of China or be used in Japanese productive activities.

-4-

As to the essentiality or critical nature of the work, inquiry could be made of Mr. Hsi Te-Mou, Resident Director of the Bank of China at 40 Wall Street, New York. Mr. Hsi is concurrently Representative of The Central Bank of China and also Representative in the United States of the Ministry of Finance of the Chinese Government.

Those familiar with the politico-economic requirements of China in the successful conduct of the war continually advise us that the Chinese Government considers currency on the highest essential list. They have - to our knowledge - used air space from the United States to transport currency all the way from America into China, and they are causing us to effect continuous shipments as the production is off the line, rather than accumulating over stated periods. We are also told that banknotes "over the hump" take first priority.

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SECURITY BANKNOTE COMPANY

By GEORGE W. GOLDSWORTHY, JR. (Signed)
George W. Goldsworthy, Jr.
Vice President

MFC-1672

1945 FEB 1 AM Chungking
7:58

This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (SECRET 0)

COMMUNICATIONS
RECORD
Rec'd 10:25 a.m.
(LIAISON)

Dated January 31, 1945

Secretary of State,

Washington.

136, January 31, 3 p.m. (SECTION ONE OF TWO)

TO SECRETARY OF TREASURY FROM ADUER

Review of financial and economic situation.

One. Note circulation December CN dollars 189,461 million, an increase of dollars 19149 million or over 11% over November. Heavy December increased up to end of year settlements, advances for January and February and extra budgetary military expenditures to meet emergency. Note circulation increased over 150% in 1944 as compared with 120% in previous year.

Two. Prices. (?) bank confidential retail price index for Chungking Kunming and Chengtu: September 48,000, 109,000 and 58,000; October 54,000, 116,000 and 62,000; November 59,000, 126,000 and 69,000; December 65,000, 127,000 and 76,000. Percentage increases January - December and September - December: Chungking about 225 and 35, Kunming 260 and 17, Chengtu

For security
text of this message must
be closely guarded.

-2- #136, January 31, 3 p.m. (SECTION ONE OF TWO)
from Chungking

17, Chengtu 180 and 31. These increases are pertinent to any discussion of financial settlement for army expenditures for October - December 1944.

Prices in Chungking estimated to have risen not less than 20% during January.

HURLEY

JMS

(?) Repetition requested on above portion of message.

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

DIVISION OF ³¹⁷
CENTRAL SERVICES
TELEGRAPH SECTION

DEPARTMENT OF STATE
DIVISION OF

Chungking

ALH-166

This telegram must be
paraphrased before ~~9:45~~ 9:52 PM ~~3:30~~ 3:30 PM ~~3:30~~ 3:30 PM ~~3:30~~ 3:30 PM
communicated to anyone
other than a Government
Agency. (SECRET O) ^{Rec'd 5:44 p.m., Feb. 1st}

COMMUNICATIONS
AND RECORDS
(LIAISON)

Secretary of State

Washington

136, January 31, 3 p.m. (SECTION TWO)

Three. Chungking clearing house clearings which
WERE \$20,000,000,000 in January 1944 WERE \$77,000,000,000 in
November and 87,000,000,000 in December. Total clearings
for year WERE \$581,000,000,000. Increase in monthly
clearings reflects growing virulence of inflation.

Native Bank monthly interest rates are 8% for conserva-
tive loans while Central Bank rate for discounts and
advances to government banks is 1.8 monthly.

Four. Chungking open market rate for United
States currency 460-500 (Kunming around 550), United
States dollars banked total 275, bond coupons 430,
savings certificates 38. United Clearing Board checks
sold at average of 300 spot in December, when forward
sales discontinued; amounts old United States dollars
1.1 million. Market for clearing board checks most
inactive in January owing to tightness of money market

before Chinese

CONFIDENTIAL

For security reasons the
text of this message must
be closely guarded.

-2- #136, January 31, 3 p.m. (SECTION TWO) from Chungking before Chinese new year and prevalent fear that Chinese Government will vest Chinese private foreign exchange assets abroad. Consequently board has had to sell United States dollars 350,000 to Central Bank at 40 to 1.

Five. Budgetary situation, 1944 preliminary: Expenditures 150,000,000,000 REVENUES 50,000,000,000. 1945 estimates: Expenditures 260,000,000,000 REVENUES 180,000,000,000 but Minister of Finance himself admits estimated expenditures too low and REVENUES too high. Estimates for latter are postulated on receipts of very large amounts of gold and of commercial cargo from United States for sale by government to public.

Six. Gold mark. According to Minister of Finance Government has sold 913,000 oz spot and forward and in addition 243,000 oz to be delivered against "six month gold deposits". According to K. K. Kwok, total sales both spot and forward in November were 145,000 oz, December 27,000 oz, January up to mid month 29,000 oz; in addition commitments against six month gold deposits for 1945 are March 9,000 oz, April 17,000 oz, May 88,000 oz and June 82,000 oz. Official price of gold raised on November 13 to \$20,000 per oz. Unchanged since. Black market price

-3- #136, January 31, 3 p.m. (SECTION TWO) from Chungking market price rose from \$25,000 to \$34,000 per oz in November and has remained at latter level. Both Minister and Kwok emphasizes size of their outstanding gold commitments amounting to close to half million oz and say they cannot sell more gold until they have some idea of magnitude of forthcoming shipments from United States, on which question I have of course remained noncommittal.

(END OF MESSAGE)

HURLEY

WMB
NPL

25

January 31, 1945.

My dear Mr. Ambassador:

Thank you for your letter of January 29, which transmits a communication you received from the Chancellor of the Exchequer. I appreciate your forwarding this to me.

With cordial regards,

Sincerely,

(Signed) H. Morgenthau, Jr.

His Excellency,
The Ambassador of Great Britain,
British Embassy,
Washington, D. C.

GEF/abs

BRITISH EMBASSY,
WASHINGTON 8, D. C.

29th January, 1945.

My Dear Morgenthau,

I send you a letter I have just received in the Bag, from the Chancellor of the Exchequer, that he asks me to forward to you. *(not attached)*

Yours very sincerely,

Halifax

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

January 31, 1945

My dear Lieutenant Putzell:

Thank you very much for your letter of January 30th, with which you enclosed copy of a radio-telephone message received from your representative in Bern.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Lieutenant (j.g.) E. J. Putzell, Jr.,
Assistant Executive Officer,
Office of Strategic Services,
Washington, D.C.

RESTRICTED

323

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

30 January 1945

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

My dear Mr. Secretary:

You will find attached, ^(not attached) as being of possible interest to you, copy of radiotelephone message received last night from our representative in Bern.

Respectfully yours,



E. J. Putzell Jr.
Lt. (j.g.), USNR
Assistant Executive Officer

Attachment

RESTRICTED

SECRET

PARAPHRASE
WAR DEPARTMENT CABLE

FROM: CG US Army Forces in the Far East, Advance Echelon, Leyte, Philippines
TO: War Dept.
DATE: 30 Jan. 1945
NO: UA67106

To AGWAR, from CG Adv. Ech. USAFFE, signed MacArthur.

This is in reference to your 18 Jan., No. W22518 regarding financial assistance to needy recovered US and Allied nationals:

For both US and Allied nationals paragraph 5 is feasible, but for some time a supply of clothing, shelter, food, and medical supplies will be necessary as an opportunity for purchasing same will be limited. Have taken all appropriate measures to provide for the welfare for all United Nations citizens, and these relief measures will be continued throughout the time of military administration of Civil Affairs. Will make further recommendations if it is necessary to call on the Dept. of State for financial assistance as described. However, the funds the Red Cross have provided for this purpose are expected to be ample.

(a) In Leyte 14 American citizens and other than Naval and Military personnel and no Allied nationals have been recovered. For Luzon the figures are not available yet.

(b) Included in the present procedure for their care are immediate relief measures of shelter, clothing, food, and medical attention by Army upon recovery, and pending return to the US for repatriation they are sent to casual camp.

(c) Hostel is being set up by the American Red Cross for taking care of aged couples and females and in needy cases the Red Cross has made cash grants.

(d) On recovery of Manila plans are being made for providing for necessary assistance. Repatriation or return to homes in Philippines as soon as is practicable after initial provision of necessities by US Army helped by the American Red Cross, is contemplated in plans.

Action: CAD

Info: OPD, ASF, G-2 (State, Treasury, Interior), Mr. McCloy, Budget Div.
CM-IN-29391, 30 Jan.

SECRET

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD

January 31, 1945

Office Memorandum No. 14.

Mr. William O'Dwyer, Executive Director of the War Refugee Board, is located in Room 2426, telephone extensions 5664 and 5665.

/s/ David White
Administrative Officer

PLAIN

328

1B

January 31, 1945

In telegram from London numbered 892,
Twenty-eighth reading "the following article on
resignations from the War Crimes Commission, etc."
serial number should be changed to 982.

DIVISION OF CENTRAL SERVICES

JMB

NOTE: Correction from Embassy, London.

13

MH-32
No paraphrase
necessary
(SECRET)

Marseille

Dated January 31, 1945

Rec'd 9:29 a.m., Feb. 1st

Secretary of State,

Washington.

34, January 31, 9 p.m.

FROM HODGSON FOR PLITTEND WAR REFUGEE BOARD

Please instruct me urgently whether I am to take any receipts or promissory notes for transportation charges from Geneva to Marseille, costs at Marseille and transportation charges Marseille to Philippville by ship. Reference Department's and War Refugee Board Cable No. 33 or 89 to Hodgson January 3, 8 p.m.

Arthur Greenleigh states joint distribution Committee will stand behind all expenses but is not prepared to pay expenses in cash.

Army states that it is the understanding that State Department will bear transportation costs of civilian repatriates between Geneva and Marseille and that headquarters SOLOC has confirmed this. Per capita cost is stated to be 592 French francs.

Lafoon reports that there are 167 persons classified ad hoc as category F. From the preliminary lists received from him here it appears that a substantial number of these, roughly 58, are not (repeat not) bearers of ad hoc Latin American documents. Please instruct urgently whether this group may be sent to Philippville excluding those in ad hoc lists authorized for repatriation on GRIPSHOLM by Department in its cable to Bern January 28 referring to Bern's 533, January 25 which was repeated to Marseille by Department as 46, January 28.

Ship to transport Philippville group expected hourly.

L*HEUREUX

RB

CABLE TO AMERICAN EMBASSY, PARIS, FROM WAR REFUGEE BOARD

Please deliver the following message to Joseph Schwartz, Paris, from
M. A. Leavitt, American Jewish Joint Distribution Committee:

QUOTE PERSONAL FOR JOSEPH SCHWARTZ STOP MAX PERLMAN REQUESTING
\$8500 AS CONDITION HIS RETURNING OVERSEAS DUTY STOP ORGANIZATION
COMMITTEE PREPARED APPROVE \$7,000 BUT ANXIOUS HAVE YOUR VIEWS STOP
DEFINITE FEELING HERE WE CANNOT MEET HIS REQUEST STOP GLAD HAVE
YOUR CABLE REGARDING EXPENDITURES FOR ACCOUNT INTERGOVERNMENTAL
COMMITTEE AND WE PREPARING REQUEST TO SIR HERBERT FOR REIMBURSEMENT
UNQUOTE

4:00 p.m.
January 31, 1945

LPG-1953

PLAIN

Paris

Dated January 31, 1945

Rec'd 11:59 p.m.

Secretary of State,

Washington.

455. Thirty-first

FOR MRS. LEAVITT AMERICAN JOINT DISTRIBUTION
COMMITTEE FROM JOSEPH SCHWARTZ.

"Will advise possible budgetary reductions soonest although difficult see how substantial recutions possible before end winter. We have been most careful about making commitments here but must point out you have been committing large sums without consulting us as to relative importance and sometimes without even informing us. Difficult to budget under those conditions."

CAFFERY

1477

NAB-1995

PLAIN

Paris

Dated January 31, 1945

Rec'd 6:38 a.m. Feb. 1st.

Secretary of State,
Washington.

456. Thirty-first

FOR MOSES LEAVITT AMERICAN JOINT DISTRIBUTION
COMMITTEE FROM JOSEPH SCHWARTZ

"Would appreciate knowing who Saul Elgart is and something of his background. Anxiously awaiting Lindners arrival London and his explanation. Wish advise Beckelman has definitely decided accept post with intergovernmental Committee."

CAPPERY

KJF

CC-1994

PLAIN

Paris

Dated January 31, 1945

Red'd 6:37 a.m. Feb. 1st

Secretary of State,
Washington.

457, Thirty-first

FOR MOSES LEAVITT AMERICAN JOINT DISTRIBUTION
COMMITTEE FROM JOSEPH SCHWARTZ.

"Conferred with Czech Minister of Social Welfare
who did not seem interested in training course but in help
to Czech people especially Carpathian region concerning which
cabled you from London."

CAPFEREY

MJF

Miss Chauncey (for the Sec'y) Ackermann, Akzin, Cohn, Drury,
DuBois, Gaston, Hodel, McCormack, O'Dwyer, Files

MR-288
Distribution of true
reading only by special
arrangement (SECRET-W)

Caserta

Dated January 31, 1945

Rec'd 11:12 p.m.

Secretary of State

Washington

380, January 31, 3 p.m.

FOR THE WAR REFUGEE BOARD

Reference Department's 148, January 26, 2 p.m.

to Rome.

Actually some 3500 Yugoslavs were repatriated from camps in Italy at Tito's request. Impossible to ascertain number of Jews involved since the movement was made in great haste and only imperfect documents were available.

At present time camps are maintained as before to be used as reserves for other displaced persons and no camps have been vacated completely. Authorities here are interested to know how the report originated that stateless persons from outside Italy would be accommodated in these camps since no such plan to move these people to any one particular spot has yet been formulated.

KIRK

WMB

cc: Mr. [unclear] (for the [unclear]), [unclear] [unclear],
[unclear] [unclear], [unclear] [unclear], [unclear] [unclear],
[unclear] [unclear], [unclear] [unclear]

CABLE TO AMERICAN LEGATION, LISBON, FROM WAR REFUGEE BOARD

Please deliver the following message to Robert Pilpel, Lisbon,
from M. A. Leavitt, American Jewish Joint Distribution Committee:

QUOTE ISAAC EDERSHEIM AND DUTCH COMMITTEE SWITZERLAND
CABLED NETHERLAND COMMITTEE HERE THAT SALY MAYER REFUSES
PROVIDE INTERNATIONAL RED CROSS WITH FUNDS FOR FOOD PARCELS
TO INTERNEES STOP THEY CLAIM THEY HAVE 3000 PERSONS THEIR
LIST WHICH BEING USED BY WAR REFUGEE BOARD FOR PARCELS FROM
SWEDEN BUT THEY STATE QUICKER SEND PARCELS FROM SWITZERLAND
STOP INFORM SALY MAYER AND CABLE REPORT UNQUOTE

4:00 p.m.
January 31, 1945

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

January 31, 1945

7 p.m.

AMLEGATION

STOCKHOLM
173

The following for Olsen is WRB 301.

Representatives of World Jewish Congress have recently asked Board to consider expansion of food parcel scheme from Sweden. Before considering this proposal, Board would appreciate report from you on present program involving food packages purchased in Sweden for inmates at Bergen-Belsen. Board would also appreciate your recommendations on possible expansion of the program which would include deliveries to camps other than Bergen-Belsen. For your information representatives of World Jewish Congress also approached Mann in London on the same matter and specifically requested that WRB funds be used for the proposed expansion.

GREW
(Acting)
(GLW)

WRB:MMV:KG
1/30/45

NOE

SMP

MF-1834
Distribution of true
reading only by special
arrangement. (SECRET W)

Bern
Dated January 31, 1945
Rec'd 6:20 p.m.

Secretary of State

Washington

684, January 31, 1 p.m.

FOR WRB FROM MCCLELLAND.

Kindly deliver following message from Riegner to
Nahum Goldmann of World Jewish Congress.

I understand from most reliable source that influential German circles show great interest and anxiety concerning fate of all "volksdeutscheen" civilians fallen into hands of Soviet Army. I also understand that amelioration of treatment of Jews in German hands can probably be secured if some assurances or concessions would be made regarding treatment of "volksdeutscheen" by Soviets. Recommend you approach Soviet Embassy this question if possible. Eventual negotiations should be conducted in utmost confidence as premature publicity such a matter would jeopardize its aim.

I also desire inform you that Intercross relief action behalf Jews in German concentration camps seriously handicapped by lack means of transport. Much more could be done if Allied authorities could make available to Intercross certain number of trucks and necessary fuel. Please discuss this matter with appropriate authorities.

HUDDLE

JMS

MF-1953
Abb.

PLAIN

Bern

Dated January 31, 1945

WJF

Rec'd 11:59 p.m.

Secretary of State

Washington

687, Thirty-one.

PERSONAL FOR PEOPLE OF WRB FROM MCCLELLAND.

"Sorry to learn of your leaving WRB which under your energetic direction has been able to take action through many channels which otherwise would probably have remained closed. Allow me express my sincere appreciation for continued confidence placed in me throughout past many trying months, by you and board.

Please accept my personal wishes for successful service in your new job and kindly assure General O'Dwyer that I shall be glad to continue serving Board to extent my ability as long as it is felt effective aid can be rendered."

Above refers to Department's 467, January 27.

HUDELE

WJF

CC-1999

PLAIN

Bern

Dated January 31, 1945

Rec'd 6:47 a.m. Feb. 1st

Secretary of State,
Washington.

688, Thirty-first

Please deliver following from Freudenberg to Leland
Robinson of American Christian Committee for Refugees.

"We desire confirm recent cable that our funds
are exhausted and full February contribution badly needed
in Geneva.

Can we use your funds also for refugees in Shanghai.
Fine work being done there is fully described in documents
sent by Warshuis. Did all these reports satisfactorily
reach you." 10.65.

HUDDIE

MJF

CC-1999

PLAIN

Bern

Dated January 31, 1945

Rec'd 6:47 a.m. Feb. 1st

Secretary of State

Washington.

688, Thirty-first

FOR WRB FROM MCCLELLAND

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reach you." 10.65

HUDDIE

MJF

Miss Chauncey (for the Sec'y) Ackermann, Akzin, Cohn, Drury,
DuBois, Gaston, Hodel, McCormack, O'Dwyer, Files

NS-1831
Distribution of true
reading only by special
arrangement. (SECRET W)

Bern

Dated January 31, 1945

Rec'd 6:11 p.m.

Secretary of State,
Washington.

690, January 31, 5 p.m.

FOR WEB FROM MCCLELLAND.

Please refer paragraph two Legation's 216, Jan-
uary 12.

ICRC has now received definite confirmation that
three freight cars containing our first shipment of
WEB parcels via Goteborg previously reported held up
at Warnemunde went forward to concentration camps early
in January.

HUDDLE

JT

NOT TO BE RE-TRANSMITTEDCOPY NO. 4SECRETOPTEL No. 36

Information received up to 10 a.m., 31st January, 1945.

MILITARY

1. WESTERN FRONT.
 Southern Sector: Lull continued in Colmar sector, heavy snow hampered all movement. French forces maintained pressure on sectors between Mulhouse and Than, and N.E. of Colmar itself.
 Central Sector: In Ardennes Third U.S. Army advanced slowly eastward and reached River Our on front of 15 miles immediately south of St. Vith. North of St. Vith, U.S. 1st Army attack made good progress. Advance of up to three miles made, Holzheim being reached and Bullingen captured.
2. EASTERN FRONT.
 East Prussian Sector: Germans claim advance westwards 20 miles towards Elbing. Russians report these breakthrough attempts repelled and have themselves captured Mairnwerden between their Elbing salient and the Vistula. Some advance made over frontiers into Brandenburg and Pomerania.
3. BURMA.
 On Ramree Island leading battalions held up endeavouring to cross the Yanbauk, approximately half way down island, by strong enemy positions on southern bank. In Kangaw area to east of Myebon our troops made further slight gains against stiff enemy opposition.

AIR

4. WESTERN FRONT.
 30th. SHAEF (Air) fighter and fighter bombers flew only 116 sorties due bad weather.
5. MEDITERRANEAN.
 29th, 772 tactical aircraft (7 missing) operated against targets in Northern Italy,

OFFICE
SECRETARY OF TREASURY

1945 FEB 1 AM 10 12

TREASURY DEPARTMENT