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MEMORANDUM FOR THE SECRETARY.

August 11, 1944.

Mail Report

Low ebb in quotable letters has not meant low ebb in the total of all received. Usually at this time of year there is a definite lagging in correspondence, but during the past weeks, there has been little let up. The mail continues, however, to be dominated by routine bond matters, and is therefore colorless, noncontroversial, and without many interesting quotations.

This week there were but 2 or 3 further comments on the plan to permit the cashing of bonds "over the counter", and there was little interest in either the 5th or 6th Drives. Responses to the redemption slip were somewhat more varied than they have been. Among the reasons given for cashing bonds were: keeping a son in college, enabling a sailor to come home on furlough, bringing a young American into the world, and getting an unwanted divorce. One very old lady indignantly demanded that we apologize for questioning her motives, and see to it that no such notice was ever sent out again.

During the first part of the week few bonds were submitted for redemption, but a sharp jump Thursday and Friday raised the total to 69. Complaints about delays in re-issuing or redeeming bonds increased slightly, while reports of overdue interest dropped off.

There was little of interest in the tax mail. Of the 13 requests for refunds, almost all were urgent, and some showed acute distress. The Bretton Woods Conference received largely favorable comment, with a number of requests for copies of proceedings. There were 7 donations, ranging from \$25 to a check for \$244.87 from our old friend, Mr. Melchor León.

Gabriele E. Forbush

General Comments

Melchor Leon, the faithful contributor from Mexico, D. F. (Objetos De Arte Chino Para Regalo), wrote again on August 3, as follows: "With reference to your letter #7092, I take the pleasure to enclose herewith New York draft in the amount of \$244.87, equivalent of \$1,187.61 Mexican Pesos (at the rate of exchange of \$4.85 pesos for \$1.00), to which amounted the 25% of all purchases made by American citizens in this store during the month of July 1944, that is donated to the U. S. Government for National Defense."

- 2 -

Unfavorable Comments on Bonds

C. T. Thomasen, Sr., Owner, Best Home Laundry, Houston, Texas. On September 14.43. I bought a \$18.75 bond for My Son. Christian T. Thomasen, Jr. to be mailed to 7007 Canal St. Houston 11. Tex. Well the Government has not to this date delivered the said Bond. The Government claim that the Bond is lost. I claim that is not my fault. I dont know what the government have done with the bond. I therefor do hereby respectfully request that action be taken by the proper officials to send that bond or chall I have to go to the President through my Senator. Now I do not know what became of that bond. BUT I do know that our mail man on this route have left our valuable mail. by that I mean Government mail in other mail boxes. and the people have been good enough to bring the mail to me. It seem to me that there is attituded the publick be damn. Here it is almost a year since the bond was paid for and not yet received. Thats what may be considered governmental efficincy.
* * *

Robert Lynch, Metro-Goldwyn-Mayer Pictures, Philadelphia, Pennsylvania. If many folks receive a similar slip as the attached, and under the same circumstances, then I believe you will have a lot of peevish people! During the last year I probably purchased \$25,000 worth of bonds in small denominations such as \$25, \$50, and \$100. Two or three weeks ago I decided to get them changed into two \$10,000 bonds, and one \$5,000 bond. I made inquiry at the Federal Reserve, the Pennsylvania Company, and several other banks as to how to go about it, but was told I would have to definitely sell all my smaller bonds, then take the money and repurchase whatever I desired. I can see where people who turn their bonds in that way, for the purpose of buying larger ones, can't go around telling everybody, including Uncle Sam, just why they do it. * * * This letter

- 3 -

is written, therefore, for the sole purpose of making the suggestion that the Federal Reserve, or some other bank, be permitted to change bonds of smaller denominations to larger ones, without going to the trouble of selling them. Knowing the public's psychology in such matters, I believe you would be surprised just how many people who probably have \$925.00 worth of small bonds would buy \$75.00 more to turn them in for a \$1,000.00 bond. * * *

- 4 -

Unfavorable Comments on Taxation

Harvey T. Warner, Lafayette, Indiana. I do not like to have to cash any of my bonds but it looks like I will have to. From what the papers say, income tax refunds are being made at the rate of only 250,000 a week, and at that rate, it will be a year from now before I get mine, after having been without it 8 months or more already consequently I do not feel the choice is mine.

Col. C. R. Gildart, Camp Barkeley, Texas. On 10 April 1944 I sent a letter to the Collector of Internal Revenue, Baltimore, Maryland, dealing with my income tax. A balance of \$189.03 due me on overpayment on my preceding year's tax was the subject of the letter. The letter was sent registered and a return receipt was signed by N. L. Bond, 13 April 1944. No reply was received. On 31 May 1944 I sent another letter to the Collector of Internal Revenue, Baltimore, requesting a reply to my letter of 10 April. Again no reply was received. On 22 June 1944 I sent a third letter, requesting reply to my previous two letters. For the third time, no reply was received. As it appears that I am unable to get satisfaction out of the Collector of Internal Revenue, Baltimore, Maryland, directly, I request that he be directed to reply to my correspondence. As I am in the military service, it is imperative that I keep my personal affairs thoroughly in order at all times.

August 11, 1944

Dear Mr. Sulzberger:

Secretary Morgenthau spoke to me about his conversations with you regarding the Monetary Conference.

I am planning to be in New York on August 21 and I would be most pleased to have luncheon with you on that date.

Sincerely,

(Signed) Ancel F. Lurford
Assistant General Counsel.

Mr. Arthur Hays Sulzberger,
Publisher, The New York Times,
Times Square,
New York, N. Y.

AFL:mrd - 8/11/44

AUG 11 1944

My dear Mr. President:

There is attached a report of Lend-Lease purchases made by the Treasury Procurement Division for the Soviet government indicating the availability of cargo for August.

The inventory of material in storage as of August 1, 1944, was 208,114 tons or 82,407 tons less than the July 1st inventory. Production scheduled for August shows an increase of 23,901 tons as compared with July.

Faithfully yours,
(Signed) D. W. Bell

The President
The White House

WFBrennan:hsc
(8-8-44)

SECRET

Handwritten notes:
WFB
EJO
JWB
Jm
L
CJ

TREASURY DEPARTMENT - U. S. S. F.
MATERIALS AVAILABLE FROM STORAGE AND PRODUCTION DURING AUGUST, 1944
(IN 2000 LB. TONS)

COMMODITY	STORAGE AUGUST 1, 1944	PRODUCTION DURING AUGUST	TOTAL AVAILABLE	PRIORITY CARGOES FOR PORT AREAS SPECIFIED TO DATE FOR AUGUST
ALUMINUM	7,482		7,482	4,480
AUTOMOTIVE EQUIPMENT AND PARTS				
BEARINGS	304	1	1	
BRASS AND BRONZE	16,214	2,266	2,570	7,560
CHEMICALS	10,228	27	16,241	4,942
CLOTHING AND TEXTILES		852	11,080	
CONSTRUCTION MACHINERY		104	104	
COPPER IN VARIOUS FORMS		529	529	
FERRO-ALLOY	17,241	1,287	18,528	5,332
GRAPHITE PRODUCTS	346		346	
HAND AND CUTTING TOOLS	1,312		1,312	
INDUSTRIAL MACHINERY		1,172	1,172	
LEAD AND LEAD ALLOYS	47,923	45,401	93,324	13,082 *
NICKEL AND NICKEL PRODUCTS	27		27	
NON-FERROUS METALS - OTHER	43		43	
NON-METALLIC MINERALS	180	29	209	
PAPER AND PAPER PRODUCTS		3,012	3,012	
PLASTICS	1,257	2,759	4,016	952
RUBBER	2,833		2,833	
STEEL, ALLOY AND SPECIAL	1,488	2,404	3,892	3,092
STEEL, CARBON	7,101	16,093	23,194	12,777
STEEL, PIPE AND TUBING	34,195	5,611	39,806	27,572
STEEL, SAITS	46,716	11,079	57,795	5,995
TIN PLATE	8,006		8,006	8,003
ZINC	5,240		5,240	1,242
	78		78	
TOTAL	208,114	92,625	300,739	95,772

*In addition, all available tonnage applicable to the Oil Refinery Program is classed as priority cargo for prompt shipment to ports.

SECRET

Treasury Department
Division of Monetary Research

9

Date 8/18/44 19

To: Mrs. McHugh

This letter was sent to Mr. Glasser by covering letter from Mr. Valensi dated Aug. 11. The original was sent to Mr. D. W. Bell on Aug. 15 with a note from Mr. Glasser that we are preparing reply.

jm

MR. WHITE
Branch 2058 - Room 214½

COPY

August 11, 1944.

Dear Mr. Secretary:

The French Commissioner for Communications has instructed me to request the assistance of your Department regarding the printing of a new order of postage stamps intended for the use of the Civilian Administration of French Liberated Territories.

The model used for these stamps will be the same as the one which has already been used for the printing of the first order.

The new order, which will be carried out and paid for under the conditions stated in the letters of May 27, will involve the following denominations and quantities:

30 centimes	.....	5,000,000 stamps
40 "	.....	10,000,000 "
50 "	.....	7,000,000 "
60 "	.....	5,000,000 "
80 "	.....	3,000,000 "
1,20 franc	.....	3,000,000 "
1,50 "	.....	50,000,000 "
2 francs	.....	8,000,000 "
2,40 "	.....	3,000,000 "
3 "	.....	5,000,000 "
	Total.....	99,000,000 "

I would much appreciate your kindly giving me confirmation of your agreement on this matter.

Faithfully yours,

(S) Christian Valensi
Financial Attache

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

COPY

KEM-18

PLAIN

London

Dated August 11, 1944

Rec'd 11:33 a.m., 12th.

Secretary of State,
Washington.

3048, Eleventh.

Swedish politics: Foreign Office last night released text of telegrams exchanged between King Gustaf and Regent Horthy concerning treatment Jews. King's appeal June thirtieth, see our 2449, read as follows: "After having been informed of the exceptionally severe methods to which your government has resorted against the Jewish population in Hungary, I take the liberty of addressing myself personally to Your Highness to appeal to you in the name of humanity to take measures to save those who may yet be saved among the miserable people. This appeal has been prompted by my old feelings of friendship for your country and by my sincere concern for Hungary's good name and reputation among the society of nations". Horthy's reply which undated read "I have received the telegraphic appeal which your Majesty addressed to me. With feelings of the greatest understanding I beg Your Majesty to rest assured that I will do everything which lies within my power in the present circumstances in order that the principles of humanity and justice be respected. I highly appreciate the feelings of friendship toward my country which animate Your Majesty, and I beg Your Majesty to retain these toward the Hungarian people in these days of heavy trials". Foreign Office also released measures recently taken to alleviate treatment of Jews: despatch of Jews for work abroad suspended. In conformity with representations by Swedish Red Cross, Palestine immigration commission through medium of Swiss Legation and by War Refugee Board, Hungarian Government permitted Jews emigrate Sweden, Switzerland, Palestine and other countries. Within framework of Swedish Red Cross activities Jews able establish their Swedish citizenship may emigrate to Sweden. Jews having parents Sweden or long time trade relations may go there or Palestine. Two groups include 400 to 500 persons. Emigration to Palestine with assistance of Palestine Immigration Commission through medium Swiss Legation Budapest granted several thousand Jews. These persons may go to Palestine of possessing immigration certificates

issued by British.

-2- #3048, August 11, from London.

issued by British. On basis War Refugee Board representations International Red Cross is permitted transfer Jewish children under ten to Palestine. Same organization will obtain permission to assist Jews interned in Hungary. Following additional facilities also decided upon. No Christian Jews will be sent for work abroad (compare with statement above). Special administration for Christian Jews entrusted to Council of Christian Jews formed July sixth. Jews baptized prior August first 1941 will remain Hungary but will be distinguished from non-Jews. They'll retain means for practicing religion. Revision anticipated concerning Christian Jews sent to labor service Germany. It will soonest possible be determined who's regarded as converted Jew. Non-converted Jews serving with labor battalions in Hungary will be replaced by Christian Jews. Converted Jews will be permitted leave homes on Sundays, holidays at one o'clock in order attend religious services. Exempt from obligation to wear David star are families of protestant priests, holders of Papal decorations and members of order of Holy Sepulchre. In number of cases regent has reserved right to decide on exemption from regulations applying Jews. Exempt are Jews married to persons of Christian origin, Jews holding certain war decorations, Jews of special merit and Christian Priests. Departure of Jews for work abroad will occur under humane conditions and Hungarian Red Cross will be enabled exercise control. Food shipments through Red Cross may be sent persons interned in concentrations, camps. Swedish Foreign Office states thus possible obtain German transit visas and transportation for only two persons both whom long time Swedish citizens. Head Swedish Rabbi Ehrenpreis stated he is reliably informed it was King Gustaf's telegram which caused Regent Horthy personally tackle Jewish problem with result Jewish deportations immediately ceased. Ehrenpreis received numerous letters proving King's action has made Swedens name loved and respected in wide circles abroad. DAGENS writes King's telegram obviously released all humane resources still available in Hungary. Importantest achievement is deportations terminated. It is estimated 330,000 or nearly one-half of Hungary's Jews already deported. It isn't Swedish hospitality's fault only some 500 people have sufficient family or trade relations with Sweden to induce Hungarian Government grant them exit visas. Unfortunately only transportation route passes through third country. Detailed account of

"facilities"

-3- #3048, August 11, from London.

"facilities" granted certain specially qualified categories provides clear picture of misery and humiliation which Hungarian Quislings intended for their countrymen. Inredy the worst Hungarian Quisling has left government. It isn't easy judge whether his resignation might have enabled Hungarian Government publish its account of facilities granted. SVENSKA text of King's telegram should cause feelings satisfaction pride admiration among Swedish people. Owing hundreds thousands Jews already deported placed in concentration camps or murdered, Hungarian account of facilities granted certain Jews isn't particularly impressive. Naturally Swedish citizen ought be allowed go to Sweden but this view isn't shared by Germans. Neither Hungarian Regent nor Hungarian people should be blamed. Swedish people know they are both under duress.

Foreign Office announced last night German reply received to Swedish Government's protest against German aircraft having flown over Swedish territory June twenty-first attacking American bomber, see our 2251. Really stated German plane had attacked American bomber outside Swedish territory and in heat of battle had mistakenly pursued opponent which disrespected Swedish neutrality. When German plane noticed its location it immediately departed. German Foreign Office expressed regret for violation of Swedish neutrality.

Letter from Swedish seaman Shanghai stating he and sixty survivors from Swedish steamer NINGPO which sunk Hongkong December 1941 are suffering physical hardships and Swedish authorities ignoring their fate evoked Foreign Office statement that men receiving best possible treatment through Swedish Consulate General Shanghai and Foreign Office made repeated efforts arrange their repatriation and negotiations still progressing. Foreign Office emphatically repudiated allegation Swedish seamen are in distress.

Ekilstuna Kuriren reports Minister without portfolio Rosander intends resigning cabinet post this autumn to resume post as Ekilstuna's mayor. Rosander member of government since October 1940. (Irrespective of outcome September 17 elections two other Cabinet Ministers will probably leave Cabinet after elections, namely, communications Minister Anderson of Rasjeon who's designated Governor of Kopparberg Province and Commerce Minister Eriksson who will head alcohol Monopoly).

WINANT

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington.
DATED: August 11, 1944
NO.: 6472.

SECRET

A point reference Resolution 6 of the last act of the Conference at Bretton Woods which deals with looted property and enemy assets was brought up by Renald in an informal conversation. Any measures that could not be enforced efficiently without a greatly extended continuation of blockade, navicerts, and postal censorship after the war, the Foreign Office is still most reluctant to recommend or undertake, Renald said, and he asked what measures, if any, as a result of this resolution, the State Department intends to take.

(This message is being serviced as it is impossible to decipher the remainder of it.)

WINANT.

DCR:LOW 8/14/44

ef:copy
8-15-44

CORRECTION OF
PARAPHRASE OF TELEGRAM RECEIVED

15

FROM: American Embassy, London
TO: Secretary of State, Washington.
DATED: August 11, 1944
NO.: 6473.

SECRET

To paraphrased copy of message Number 6473, after the words,
"State Department intends to take." add the following:

"He also stated that the foreign Office will do its
utmost to cooperate with the State Department in any
course of action which that Department may take,
although he feels that the objections he voiced at
the Bretten Woods Conference are as forceful as ever."

(END OF MESSAGE)

WINANT.

DCR:LCW 8/14/44

ef:copy
8-16-44

ED-174

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

Caserta

Dated August 11, 1944

Rec'd 8:15 p.m., 12th

Secretary of State
Washington

106, August 11, 2 p.m.

FOR WAR REFUGEE BOARD FROM ACKERMANN No. 105.

Just returned from Bari where survey made Hungarian Yugoslav situations. Discussions with British American Partisans indicate responsibilities from Hungary not (repeat not) favorable presently because Yugo-Hungarian border too well guarded. I am informed Partisans now control isolated region their side Drava River where Hungarians are safe if they reach there by own efforts. A handful have reached safety in last few months. Allied and Partisan forces in this area not even sufficient for intelligence purposes but situation expected to improve.

Yugoslav situation improving. In July over 2,500 refugees evacuated, 900 being orphan children, by air from interior balance old men, women, children by boat from coast. However, there is great immediate need for supplies to be brought into liberated areas to prevent several million people from starving or freezing to death. Approximately four million are homeless. Tents would aid tremendously but require plane transport. Many without proper clothing. Some small boats available from time to time to bring clothing to Vis for distribution from there by young men who evade Bozeer guards regularly. Latter statement by Partisans confirmed by Allied authorities. Food and medicine also urgent, particularly dry or condensed milk for nursing mothers and children. Much difficulty envisaged to get transport these supplies but believe there will be space occasionally for small amounts. Again urge that stockpile be created so that if transport available or Germans pull out this aid could be carried immediately. Will discuss with Murphy, Army and UNRRA representative next few days but urge you do all possible your end. Proper agency for procurement supplies appears AML now Cairo but this may change rapidly. Will advise. Report also comes by pouch.

MURPHY

BB

GEX-715

PLAIN

Rome

Dated August 11, 1944

Rec'd 3:45 p.m.

Secretary of State,
Washington.

163, eleventh.

Referring to an article on the Italian food situation by Anne O. Hare McCormick published in the NEW YORK TIMES, the Rome newspaper IL TEMPO of August 11 reports her as saying that in a difficult matter of this kind criticisms are useless; that actually, the difficulty is one of transport to bring in foodstuffs from the districts where they are grown and transport is impossible without fuel; that to speak of fuel for civilian services is a delicate matter in a country which is still a battlefield, it being obvious that war needs must be given absolute priority over fuel.

IL TEMPO comments as follows: "We cannot agree entirely with Mrs. McCormick. The problem of feeding Rome is not primarily a fuel problem but as we have had occasion to say over and over again—a problem of freedom of transportation. As long as transportation is subjected to licensing, Rome will continue to starve. The primary maladjustment lies in the scarcity of transport and its high cost.

On the other hand, we are completely in agreement with Mrs. McCormick when she acknowledges our capacity to get out of our troubles with the few means we have, on the condition of course that we are allowed to do so; in other words, provided we are given that minimum of freedom of action without which it is impossible to begin to rebuild our life from the very foundations".

Repeated to ANPOLAD as 54.

GAN

KINK

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Lisbon
To: Secretary of State, Washington
DATED: August 11, 1944
NUMBER: 2484

CONFIDENTIAL

Field sends the following for Dexter.

We have received the message given below from Bern as no. 149 of August 10.

Kindly forward substance to Raymond Bragg, 25, Beacon Street, Boston:

I am informed that my "plea for financial support for medical services and for assistance in occupied countries" is opposed by the committee. The reasons given are that my plea was not within the scope of the committee and that there was danger from payment in foreign currency for these purposes from easily traceable notes obtained in Switzerland. I hope that this is not the last word. Colleagues here are spending much larger amounts for similar purpose in sound recognition of the fact that resistance movements are the only reliable element that can save refugees and that former cannot be expected to help unless given assistance in return. Actually many refugees are in maquis and resistance groups. Proposed help would not be for military or political purposes but exclusively for social services. Owing to method of financing, argument regarding traceability of notes is invalid. Above views are concurred in by the War Refugee Board representative.

To date licenses were limited to France. We urgently request extension to other occupied countries, particularly the Balkans, Hungary and Italy where the refugee situation is bad or worse. A letter of designation has been sent to our representative in Paris for use after liberation subject to later confirmation. She has been asked to build up a staff of qualified Allied workers to be available immediately on the spot if and when legal activities are resumed by the committee.

NORWES

DCR:VAG 8 /14/44

EE-892
Distribution of true
reading only by special
arrangement. (SECRET W)

Lisbon

Dated August 11, 1944

Rec'd 11 p.m.

Secretary of State
Washington

2492, August 11, 7 p.m.

THIS IS WRB 153 UNITARIAN 313 FOR RAYMOND BRAGO
BOSTON FROM ELIZABETH DEXTER

I second Field's plea with all possible solemnity.
WRB representative equally concurs. Referring to Field's
cable Lisbon No. 2484, August 10 just forwarded you via
Department. These doors once slammed can never be re-
opened. More important valuable lives will be lost which
you can now save. We know truth of Field's statement
regarding other organizations. Certain you can get needed
permission through WRB.

Answer soonest through WRB Lisbon and always
communicate field through Lisbon.

From vantage point here obvious Field's proposals
most important opportunity and obligation before committee.

NCGWEB

RR BB

LL-732
Distribution of true
reading only by special
arrangement. (SECRET W)

Lisbon
DATED August 11, 1944
Rec'd 4:35 p.m.

Secretary of State,
Washington.

2483, August 11, 4 p.m.

Believe your criticism Blickenstaff case selection in your letter 131, July 24 due misunderstanding situation. WRB 152 unitarian. 312 for Raymond Bragg Boston from Elisabeth Dexter. Under present conditions impossible for him help Spaniards. All other cases chosen in consultation Lisbon and along lines our general policy. Urge you allow details to be arranged between Madrid and Lisbon. Explanatory letter follows. Madrid accounts now coming regularly but statistics still lacking.

NORWEB

BB RR

CABLE TO AMEMBASSY, MADRID, SPAIN

Reference your 2623 of July 28 and 2643 of July 31, Department and War Refugee Board are most appreciative of your successful participation in obtaining Spanish authorization for 1500 visas for Hungarian Jews and of 500 additional visas for children.

3:15 p.m.

August 11, 1944

BAkzin:ar 8/7/44

CABLE TO MINISTER JOHNSON AND OLSEN, STOCKHOLM SWEDEN

1. In addition to Hungarian offers reported in Department's 1501 of July 28, 1486 of July 27, 1526 of July 31, and 1572 of August 7, to you, Department and Board received information from various sources regarding changed attitude of Hungarian Government with versions widely differing. Principal uncertainties concern following points:

Have deportations been definitely stopped for all categories or only suspended, and if so, for how long and for what categories?

To what extent will Jews in Hungary be permitted and in fact enabled to procure food and other necessities through ordinary, commercial channels and aside from Intercross action?

To what extent is it possible to expect that stoppage of deportations and other forms of actual danger to life would continue even in the absence of actual sizeable emigration of Jews from Hungary during hostilities?

To what extent is emigration to countries other than Palestine permitted to Jews over ten years of age?

Is there a way to conduct emigration in such a way as to prevent breaking up of families, with children under ten separated from parents?

To what extent, in view of internal situation in Hungary, is it possible to count on Hungarian promises being made effective and continuing up to the termination of hostilities?

It would be deeply appreciated if Wallenberg could clarify all above points for guidance of Department and Board.

2. Leaving it to Wallenberg's discretion to continue activities outlined in Department's 1353 of July 7, it appears here that main emphasis should be placed now on inducing appropriate Hungarian circles to maintain and strengthen the newly reported relaxation of Jewish regime in Hungary and to apply such relaxation to all Jews in Hungary without exception.

3. Please advise Department and Board as soon as possible of answers to any of above questions.

THIS IS WRB CABLE TO STOCKHOLM NO. 72

9:10 a.m.
August 11, 1944

BAksin:tmh 8/10/44

CABLE TO JOHNSON, STOCKHOLM, FOR OLSEN FROM WAR REFUGEE BOARD

On recommendation of Board Treasury has issued license to International Rescue and Relief Committee, permitting monthly remittance of 2,000 dollars for period of 6 months to Madame Elise Ottesen-Jensen, Stockholm, provided such funds will be utilized only as authorized by Olsen.

THIS IS WRB CABLE TO STOCKHOLM NO. 73

11:15 a.m.
August 11, 1944

FH:jth 8/11/44

EE-687
Distribution of true
reading only by special
arrangement. (SECRET W)

Stockholm

Dated August 11, 1944

Rec'd 2:55 p.m.

Secretary of State

Washington

3045, August 11, 2 p.m.

This is 69 for WRB

Please advise Mrs. Marion Fischel, 325 North
Alpine Drive, Beverly Hills, California, that her
son (stateless Jew evacuated from Finland with
Americans and others) is safe in Stockholm and
in great need of funds for living expenses. Urgent
that funds be cabled immediately to Karl Avagen
52, Stockholm.

JOHNSON

MAE-663
Distribution of true
reading only by special
arrangement. (SECRET W)

Stockholm

Dated August 11, 1944

Rec'd 1:40 p.m.

Secretary of State,

Washington.

3046, August 11, 2 p.m.

FOR WRB FROM OLSEN

No. 70

Regret and am shocked in most personal way to in-
form you, according to newly-arrived Lithuanian evacuees,
Vokietaitis was caught and executed by Germans. In hope
report inaccurate, everything possible being done to
rescue him.

JOHNSON

WTD

LMS

PLAIN

Stockholm via London

Dated August 11, 1944

Rec'd 10:26 a.m., 12th

Secretary of State,

Washington

3049, eleventh

Baltic news: ALLEHANDA tenth: Helsinki STB; Germans issued strict orders prohibiting everyone resident Estonia to leave country. This applies not only Estonians but also Reich Germans. JUSI SUOMIS: Tallinn correspondent repeats report that Estonian self-government will retire whereafter country will be entirely under military administration. Refugees who managed cross frontier from Latvia to Estonia report extreme ruthlessness on part of Russians in recaptured areas.

TIDNINGEN eleventh: Private: According Tallinn news report violent typhoid fever epidemic raging Estonia. EESTI SOENA states communist saboteurs contribute toward spreading disease. Three Estonian communists convicted and executed for having place typhus infected vermin in hay intended for bedding purposes for German garrison Tallinn.

Stockholm morning press eleventh: thirty Estonian refugees arrived.

JOHNSON

CABLE TO HARRISON, BERN, FOR McCLELLAND FROM WAR REFUGEE BOARD

The following message is sent to you by Frank Kingdon,
International Rescue and Relief Committee:

"In reply to your message received July 15th regarding distribution of IIRC funds for Spaniards in France we suggest your consulting with Bertholet to arrange between you distribution via all groups that have contact with Spanish refugees. Accordingly, license has been revised for payments up to five thousand dollars monthly to be made to Bertholet for him to apportion money subject to your approval to each agency having necessary contacts and to distribute some part himself. Also Unitarians suggest contacting Field for possible contribution to Spaniards. Would appreciate your giving Bertholet copy of this message."

THIS IS WRB CABLE TO BERN NO. 120

4:15 p.m.
August 11, 1944

FH:jth 8/11/44

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: August 11, 1944
NUMBER: 2769

SECRET

FROM THE DEPARTMENT AND WAR REFUGEE BOARD TO MINISTER HARRISON
AND MCCLELLAND.

Blockade authorities have agreed to Intercross proposal (your 4578, July 18 and Department's 2663, August 3) for sending three-kilo parcels to persons in concentration camps. Agreement also has been given to use of portion of reclaimed Christina cargo in same manner to be packaged in Switzerland. Intercross should be so advised at once.

Authorization as regards parcels to be shipped from here covers 300,000 parcels. Plans for their preparation are now being made, and you will be kept informed of developments. Transportation, as you may know, is very difficult at present, but we are hopeful that this obstacle will be surmounted through the establishment of a new prisoner-of-war supply shipping route via Gothenburg. Blockade authorities wish to consider and pass on procedure to be used by Intercross in safeguarding packages sent from here between shipment from Gothenburg and affixing of labels on parcels at Gothenburg and the forwarding of same by mail from that point. It is suggested that you discuss this matter with Intercross.

With reference to reclaimed Christina cargo, Department's 296 of July 20 to Geneva (Amcross SW 917 for James) is amended to provide for use by Intercross of such portion of usable items as in its discretion may be used profitably in three-kilo parcels for distribution to unassimilated groups in concentration camps.

A strict accounting procedure should be set up concerning all items used by Intercross for this purpose in order that possible reimbursement on a pro rata basis to the French and Belgians may be computed here. Please request Intercross to furnish you, to be forwarded to us, such information concerning receipt or non-receipt of parcels as may become available to Intercross and information with respect to camps in which distribution is made, the nationalities and number of persons thereof benefiting by this distribution. Please inform James.

(Repeat to London for their information.) # 6355

THIS IS WRB CABLE TO BERN NO. 117

STETTINIUS
(Acting)

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATE: August 11, 1944
NUMBER: 5195

CONFIDENTIAL

McClelland sends the following for the War Refugee Board.

In view of the fact that the coming months will be critical ones and first installment WRB funds is practically exhausted remittance of remaining \$125,000 funds in the near future would be appreciated.

The foregoing refers to the Department's June 10 cable No. 1994.

HARRISON

DCR:MMH 8/14/55

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: August 11, 1944 Rec'd August 16
NUMBER: 5197

SECRET

We have already obtained Hungarian exit and Roumanian transit permission for the first convoy of 2000 people and it is reported that boats are available at Constanza. German exit permits from Hungary have not been granted and according to statements the Gestapo chief made to Kasztner they will not be granted unless certain ransom terms are fulfilled.

When Joel Brandt's mission to Istanbul (please see Legation's cable of July 5, No. 4258) failed to produce concrete results and he did not return to Hungary but instead went on to Jerusalem, in the face of obvious German displeasure, desperate efforts were made by Jewish circles in Budapest to keep negotiations with the Gestapo going by raising goods and valuables from local sources to a value of 3 million Swiss francs and by stating that a credit of 2 million francs would be opened in Switzerland to cover purchase goods (tractors) there and in Slovakia (sheepskins). The affair of 40 tractors which Sternbuch brought to our attention (see Legation's message of July 26, No. 4802) was part of this deal which Link and Freudiger of the orthodox group at Budapest negotiated and relayed to Sternbuch. On the basis of these offers, the Gestapo in Budapest refrained from sending to Auschwitz during the initial period of deportations the following groups totaling 17290 souls.

1. 1690 people of whom the 1200 prominent Orthodox Jews and Rabbis mentioned previously seem to have been a part. This group was sent via Bratislava to Strasshof in Austria and later to the camp of Gergen-Belsen in Germany where they are now.

2. Approximately 15,000 persons were sent to unknown destinations in Austria to be kept "on ice" as was stated by the Gestapo; and 600 persons are still confined in Budapest.

These various offers were made as a stop gap in the desperate hope that in the meantime Brandt's negotiations would be successful and thus render superfluous these make-shift deals. As Kasztner writes, we were forced to enter upon such negotiations to win time or do nothing. Apparently he was further encouraged by a message dated June 30 from Barlas of the Jewish Agency in Istanbul saying that funds would be available for the prevention of deportation and for emigration.

The desire was expressed by Gestapo representatives in Budapest to meet Joseph Schwartz of JDC in Lisbon to discuss the terms of payment and release of 17290 Jews who were to be permitted to go to Spain according to the original agreement. After the attempt on Hitler's life, the meeting place was changed to Irun on the Franco Spanish border on orders from Berlin and following the unwillingness of Schwartz to meet them at all, the Germans agreed to meet Saly Mayer instead as a neutral citizen at Austro-Swiss border on or about the 13th of August. As proof of their "good faith" and on the insistence of Kasztner, the Germans also unconditionally agreed to release the convoy of 500 people from Bergen-Belsen which would be permitted to come to Switzerland. Finally assurances were given by the Germans that until the question had been discussed with JDC representatives no deportations of the 17290 Jews would take place.

A Gestapo agent on July 21 visited Jewish groups in Bratislava who assured him 300 tractors were available in Switzerland. A very favorable impression was created by this news with the Gestapo chief in Budapest, since as is reported by Kasztner, tractors are what are most desired and used here. Before Joel Brandt's departure, the Gestapo in Budapest had declared that they were willing to trade 1000 Jews for every 10 tractors and even went so far as to give assurance that if the delivery of the tractors was begun seriously "they would destroy the 'plants' at Auschwitz".

It is my personal opinion, in light of this information, that Saly Mayer should be permitted to meet Gestapo agents (provided that his own Government, with which the matter has been discussed, approves and grants the necessary border permits for German agents) in an effort to draw out the negotiations and gain as much time as possible without, if possible, making any commitments. I recommended to Saly and he concurred that preliminary message be sent to Budapest by courier, the letter to state in turn that no meeting can take place before the arrival in Switzerland of the convoy of 500. In view of the rapidly changing military situation, any time gained is in favor of the endangered Jews. On the other hand, before Saly goes to such a meeting, we must have some very definite expression of your opinion, in case it is impossible to stall, whether any commitments whatsoever on the basis of either tractors, money or both can be entered upon. You should also bear in mind the fact that the Gestapo chief in Budapest has already declared that not one of the 40,000 Jews whose emigration to Palestine is now being planned will be allowed to depart from Hungary unless tractors are secured for them. Concerning the first sentence of Department's cable of August 2, No. 2656, I am not personally able to assume the responsibility for final decision in a serious matter of this sort. However, my own opinion is that apart from the maneuver to gain time, at this juncture it is impossible to embark upon a program of buying Jews out of Nazi hands, especially in exchange for goods which might enable the enemy to prolong the war. Further, there is no assurance that the Swiss Government would be willing to allow the entry of Jewish refugees from Hungary into Switzerland whose release had been secured by ransom payments.

HARRISON

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: August 11, 1944
NUMBER: 5197

SECRET

McClelland sends the following for the War Refugee Board.

Reference is made herewith to Department's cable of August 2, no. 2656, and Legation's messages of August 3, nos. 4972 and 4974, and of August 5, no. 5043.

There has just reached Switzerland several reports dated the end of July from reliable Jewish sources in Budapest (Kasztner, Komoly and Perez) which shed additional light on the present situation of Jews in Hungary with regard especially to ransom and emigration aspects of the problem. In spite of the preliminary reassuring news of the agreement between the ICRC and the Hungarian Government to allow Jewish emigration to Palestine and elsewhere and relief to Jews remaining in Hungary it now seems that ranking Gestapo agents of so called "Sondereinsatz Kommand" specially sent to Budapest to direct the deportation of Jews have no intention of permitting them to emigrate freely, especially to Palestine, if they can prevent it. After the attack on Hitler and following the rapid worsening of the German military situation, the Gestapo in Budapest shifted their interest from the ideological aspect of Jewish extermination to the purely material benefits in goods, labor and money to be derived therefrom. The essence of their present attitude is contained in declaration of Gestapo Head to Kasztner to the effect that he wished to pump out the necessary labor from Hungary Jewry, and sell the balance of valueless human material against valuable goods.

On the other hand, the Hungarian Government led by Horthy apparently has been frightened not only into stopping deportation (July 9) but also into trying to make up for the unsavory role it has already played in the persecution and deportation of Jews by favoring their emigration and relief to them under the supervision of the Jewish Agency for Palestine accordingly has been permitted to set up an office in the Swiss Legation where they are actively preparing the emigration to Palestine of 8700 families previously mentioned.

HARRISON

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
 TO: Secretary of State, Washington
 DATE: August 11, 1944
 NUMBER: 5201

CONFIDENTIAL

Reference is made herewith to the Department's August 2 telegram No. 2687 and August 7 cable No. 2715.

The International Red Cross Committee was presented with communication dated August 11, on same date, which contained text of Department's reply.

HARRISON

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: August 11, 1944
NUMBER: 5228

CONFIDENTIAL

McClelland sends the following for the War Refugee Board.

Reference is made herewith to Department's cable of August 3, no. 2663, and Legation's cable of July 29, no. 4897.

ICRC.

James, Amoross representative at Geneva, with approval, intends to allocate from 80 to 75 tons salvaged Cristina foodstuffs to ICRC's package program for concentration camps in Germany for immediate parceling and shipment. We would like to know if you could in principle arrange to reimburse Amoross for these goods or if you would prefer that I reimburse ICRC here in Switzerland out of WRB funds (Amoross-Sw 917, July 20).

If it proves possible to ship projected 500,000 parcels, on basis of recent information from Germany ICRC cautions that foodstuffs contained in them, while nutritive (with stress on fats) be of the simplest kind to forestall German criticism that "luxury goods" not available to the German population are being received by prisoners in concentration camps.

HARRISON

CABLE TO HIRSCHMANN, ANKARA, FROM WAR REFUGEE BOARD

On recommendation of Board, Treasury has licensed International Rescue and Relief Committee to remit 5,000 dollars per month for a period of 6 months to Leon P. Dennenberg, Ankara, provided such funds will be utilized only as authorized by the American Ambassador and/or Hirschmann.

THIS IS WRB CABLE TO ANKARA NO. 99

11:15 a.m.
August 11, 1944

FH:jth 8/11/44

RAS-837
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (RESTRICTED)

Ankara

Dated August 11, 1944

Rec'd 9:15 p.m.

Secretary of State,

Washington.

1472, August 11, 1 p.m.

FOR PEHLE WRB FROM HIRSCHMANN ANKARA NO. 130.

It has been reported to us through reliable sources
out of Hungary that the warning transmitted by radio
to the Hungarians emanating from the Board has had
a salutary effect. It is suggested that this and
other warnings of a similar nature be repeated. It
is reported that the Hungarians are beginning to
show some signs of resistance to the Germans. These
warnings should be continued and the Hungarians should
be encouraged to resist.

KELLY

BB

CORRECTION

LL-572

August 11, 1944

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (SECRET O)

In telegram from Chungking number 1357 dated August 8, 10 p.m. (SECTION ONE) page 1 line 3 delete "(?)" insert "Revised" so as to read "One. Revised general price index etc" also page 2 line 17 delete "(?)" insert "(A)" now reads "are in CN dollars. (A) the high and low etc".

DIVISION OF COMMUNICATIONS AND RECORDS

Correction from the Embassy

MEV

COMMUNICATIONS
AND RECORDS
(LIAISON)

1944 AUG 12 AM 9 52

DEPARTMENT OF STATE
DIVISION OF

GEM-137

Chungking via Navy

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency.

Dated August 11, 1944

Rec'd 5:30 p.m., 12th.

(SECRET-0) CONFIDENTIAL
For security reasons the text of this message must be absolutely accurate.

Secretary of State, Washington.

COMMUNICATIONS AND RECORDS (LIAISON)

1944 AUG 17 AM 10 15

DEPARTMENT OF STATE DIVISION OF

1389, August 11, 1 p.m.

SECRETARY TREASURY FROM FRIEDMAN

The United Clearing Board on August two raised spot rate to 120 and to 130 on August 3 plus two points per month for war bprt because of large demand considering going up gradually to 150 by end of month.

Two. From July 3 through August 10 spot sales including Chengtu and Kunming totalled about United States dollars \$2,732,000 of which about three-fourths during last two weeks and in addition, have made forward sales (August through September) totalling about US dollars 2,445,000 (tentative figure). Afraid oversold. Therefore, have stopped all sales time being. If oversold say can adjust all buyers carrying August purchases to September and October with no penalty in rate. Immediate cause of spurt was purchase July 28 of US 700,000 by Chung Yuan Paper Company in name of D.W.T. Jian (repeat T. Jian).

Firm known

-2-#1389, August 11, 1 p.m., from Chungking via Navy.

Firm known to be close to Central Trust (through Henry Lin) and actions convinced others government not providing US dollars at more desirable rate. Also reflected general spirit of optimism business circles on duration of war and relative attractiveness of foreign exchange because current price situation. Too early say what effect fall of Hengyang and possible repercussions will have on outlook business circles.

Three. In large majority of purchases of UCB checks by Army and United States civilian Government personnel payee was individual in US us ally member of family. Understand such transactions not provided for under existing Treasury license. Checks sold by UCB total about US 264,000. Treasury license issued not received here.

Four. UCB now considering limiting sales to amounts above 10,000; would eliminate practically all of military personnel purchases. At present doing bulk of business with about 25 large buyers such as Qung Sing Corp on mills, Ming Sung, and various subsidiaries of Shanghai Commercial Bank.

Five. Following prices provided by Army as indicating rising costs of construction in Kunming area. Figures are in CN and are for January and July 1944, respectively:

housing square

-3-#1389, August 11, 1 p.m., from Chungking via Navy.

housing square feet 400-900; 15 inch mud brick wall
(square foot) 40-50; lime concrete cubic feet 120-200;
cement concrete cubic feet 400 to 700.

Six. Army now allocating 40 tons per month of air
transportation into China for Chinese homes. Last ship-
ment was made in June--26 ton.

Seven. Leaving for Kunming August 12.

GAUSS

NPL

Treasury Department
Division of Monetary Research

41

Date Aug. 19, 19 44

To: Mr. White

From: Mr. Glasser

1. The Joint Chiefs of Staff have set up a Joint Postwar Committee to be responsible for the military aspect of postwar planning.

2. General Strong (ex-G-2 Head) is the Army representative.

3. General Strong in his new position is interested in controlling Axis funds held outside of Germany. They are interested from the point of view of American military security in the postwar period. He is suggesting a program of preventing Germans from transferring property held anywhere in the world.

C
O
P
Y

August 12, 1944

MEMORANDUM FOR THE FILES

Subject: Discussion with Lt. Col. Towson and Major Baldwin.

Col. Towson and Major Baldwin came to see me this afternoon. Col. Towson informed me that he was no longer with Military Intelligence and that both he and Major Baldwin are working for the Joint Chiefs of Staff. The Joint Chiefs of Staff have set up a Joint Postwar Committee to be responsible for the military aspects of postwar planning. General Strong is the Army representative on the Joint Postwar Committee and Rear Admiral Train is the representative for the Navy. Col. Towson also mentioned that General Strong is representing the Army at the Four-Power Conference being held at Dumbarton Oaks.

The particular problem which Col. Towson came to see me about is that of controlling Axis funds held outside of Germany. He pointed out that the Joint Chiefs of Staff are interested in this problem from the standpoint of American military security in the postwar period. They feel that an effective program will be necessary to prevent the war leaders and their associates from retaining the funds with which to take steps which might lead to future wars. General Strong has apparently suggested, as a step in handling this problem, that a plan be devised for preventing the transfer of property anywhere in the world in which Germans have an interest and that such plan be placed before the European Advisory Commission.

I told Col. Towson that this was a problem in which we had long been interested and on which work had been done. I called his attention to Resolution VI of the Bretton Woods conference and to the mission about to leave for Europe for the purpose of laying the groundwork for collecting data that would be helpful on this problem. Col. Towson asked whether it would be advisable, as a matter of protocol, for him to get a letter sent from General Strong to the Secretary of the Treasury with respect to this matter. I advised him that I would check around the Treasury and consider the best possible method of moving forward and would get in touch with him.

(Initialed O.A.S.)

Orvis A. Schmidt

C.C. Messrs. Luxford, Pehle, Glasser, Bennett, O'Flaherty, Richards,
Mrs. Schwartz.

C
O
P
YFEDERAL RESERVE BANK
OF NEW YORK

August 12, 1944

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

I am enclosing our compilation for the week ended August 2, 1944, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Very truly yours,

(Signed) Robert G. Rouse

Robert G. Rouse,
Vice President.

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

Enc.

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

Week Ended

August 2, 1944

Strictly
Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)						BANK OF FRANCE						
	DEBITS				CREDITS		Transfers Official Australian Account	Other Credits (c)	Net Incr. (+) or Decr. (-) in Funds (d)	Total Debits (e)	Total Credits (e)	Net. Incr. (+) or Decr. (-) in Funds (d)	
	Total Debits	Gov't Expendi- tures (a)	Payments to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of Gold (b)							
First year of war (a)	1,792.2	601.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3(f)	1,095.3(f)	+ 299.0
War period through December, 1940	2,782.3	1,425.6	20.9	1,335.8	2,793.1	2,109.5	108.0	14.5	561.1	+ 10.8	878.3	1,098.4	+ 220.1
Second year of war (b)	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1
Third year of war (c)	1,235.6	504.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+ 125.9	18.5	4.4	- 14.1
Fourth year of war (d)	764.0	312.7	170.4	280.9	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	1.0	- 9.3
1941													
September	49.4	16.8	10.6	22.0	86.2	-	-	15.0	71.2	+ 36.8	-	-	-
October	38.2	15.0	-	22.2	115.4	-	-	40.5	74.9	+ 77.2	-	-	-
November	65.9	42.4	5.9	17.6	89.0	-	-	3.5	85.5	+ 23.1	-	-	-
December	98.1	15.3	-	81.8	134.5	-	-	36.5	98.0	+ 36.4	-	-	-
1942													
January	44.6	22.2	10.6	12.0	127.5	-	-	1.0	126.5	+ 52.7	-	-	-
February	143.6	14.3	2.1	127.4	144.5	-	-	29.0	115.5	+ 0.7	-	-	-
March	152.9	71.1	12.5	69.3	133.3	-	-	24.5	108.8	- 19.6	-	-	-
April	134.8	14.9	-	119.9	122.2	-	-	27.5	94.7	- 12.6	-	-	-
May	125.1	28.8	8.1	88.2	164.7	-	-	37.0	127.7	+ 39.6	-	-	-
June	101.9	24.1	-	77.8	95.7	-	-	28.0	67.7	- 6.2	-	-	-
July	151.0	12.3	7.3	131.4	85.9	-	-	10.0	75.9	- 65.1	-	-	-
August													
Week Ended													
July 12, 1944	6.7	2.1	-	4.6	41.6	-	-	10.0	31.6	+ 34.9	-	-	-
July 19, 1944	12.3	4.7	-	7.6	12.7	-	-	-	12.7	+ 0.4	-	-	-
July 26, 1944	61.4	2.3	7.1	52.0	10.3	-	-	-	10.3	- 51.1	-	-	-
August 2, 1944	18.9	6.5	3.2	9.2	41.0(k)	-	-	-	41.0(k)	+ 22.1	-	-	-

Average Weekly Expenditures Since Outbreak of War

France (through June 19, 1940) \$19.6 million
 England (through June 19, 1940) \$27.6 million
 England (through June 20, 1940 to March 12, 1941) \$54.9 million
 England (since March 12, 1941) 21.6 million

See attached sheet for footnotes.

- (4) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Fisher Control, and Ministry of Shipping.
- (5) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (6) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941.
- (h) For monthly breakdown see tabulations prior to October 8, 1941.
- (i) For monthly breakdown see tabulations prior to October 14, 1942.
- (j) For monthly breakdown see tabulations prior to September 29, 1943.
- (k) Includes \$ 4.0 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports, \$19.7 million representing dollar receipts by the British Ministry of War Transport, and \$13.6 million in connection with the expenses of our armed forces abroad.

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

Week Ended August 2, 1944 Strictly Confidential

PERIOD	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)							
	D E B I T S				C R E D I T S				D E B I T S				C R E D I T S			
	Total Debits	Transfers to Official British A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C For Own A/C	For French A/C	Other Credits	Net Incr. (+) or Decr. (-) in \$ (Rounds)	Total Debits	Transfers to Official British A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in \$ (Rounds) (e)
First year of war (a)	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
War period through December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+ 230.2	57.9	34.5	43.4	62.4	50.1	12.3	+ 4.5
Second year of war (b)	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	46.7	55.5	61.2	62.9	18.3	+ 9.0
Third year of war (c)	925.8	0.3	925.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	57.4	49.8	112.2	17.2	95.0	- 5.0
Fourth year of war (d)	723.6	-	723.6	958.8	47.1	170.4	-	741.3	+ 235.2	197.0	155.1	41.9	200.4	-	200.4	+ 3.4
<u>1943</u>																
September	47.2	-	47.2	70.1	-	10.6	-	59.5	+ 22.9	16.8	15.0	1.8	20.0	-	20.0	+ 3.2
October	32.1	-	32.1	71.3	-	-	-	71.3	+ 39.2	42.8	40.5	2.3	26.3	-	26.3	- 16.3
November	15.4	0.1	15.3	95.1	-	5.9	-	89.2	+ 79.7	6.6	3.5	3.1	18.2	-	18.2	+ 11.6
December	146.8	0.3	146.5	55.1	-	-	-	55.1	- 91.7	39.7	36.5	3.2	27.0	-	27.0	- 12.7
<u>1944</u>																
January	32.3	-	32.3	78.5	-	10.6	-	67.9	+ 46.2	6.0	1.0	5.0	11.3	-	11.3	+ 5.3
February	25.4	-	25.4	110.5	23.1	2.1	-	93.3	+ 93.1	31.3	29.0	2.3	28.6	-	28.6	- 2.7
March	30.3	0.5	29.8	88.6	15.0	12.5	-	61.1	+ 58.3	27.6	24.5	3.1	29.9	-	29.9	+ 2.3
April	183.6	-	183.6	96.7	-	-	-	96.7	- 86.9	29.5	27.5	2.0	39.4	-	39.4	+ 9.9
May	154.2	-	154.2	86.3	-	8.1	-	78.2	- 67.9	42.6	37.0	5.6	39.6	-	39.6	- 3.0
June	100.1	0.1	100.0	63.3	-	-	-	63.3	- 36.8	31.4	28.0	3.4	21.8	-	21.8	+ 9.6
July	43.7	-	43.7	73.2	-	7.3	-	65.9	+ 29.5	20.4	10.0	10.4	20.6	-	20.6	+ 0.2
August																
<u>Week Ended</u>																
July 12, 1944	8.7	-	8.7	13.1	-	-	-	13.1	+ 4.4	14.1	10.0	4.1	1.2	-	14.2	- 12.9
July 16, 1944	4.2	-	4.2	6.6	-	-	-	6.6	+ 2.4	1.9	-	1.9	0.2	-	0.2	- 1.7
July 26, 1944	16.8	-	16.8	23.1	-	7.1	-	16.0	+ 6.3	2.1	-	2.1	3.3	-	3.3	+ 1.2
August 2, 1944	3.6(f)	-	3.6	18.5(f)	-	3.2	-	15.3(g)	+ 14.9	0.3	-	0.3	2.4	-	2.4	+ 2.1

Average Weekly expenditures for

First year of war 5.2 million.
 Second year of war 8.9 million.
 Third year of war 10.1 million.
 Fourth year of war 13.9 million.
 Fifth year of war (through August 2, 1944) 16.9 million.

- (a) For monthly breakdown see tabulations prior to April 23, 1941.
 (b) For monthly breakdown see tabulations prior to October 8, 1941.
 (c) For monthly breakdown see tabulations prior to October 14, 1942.
 (d) For monthly breakdown see tabulations prior to September 29, 1943.
 (e) Reflects changes in all dollar holdings payable on demand or maturing in one year.
 (f) Does not reflect transactions in short term U. S. securities.
 (g) Includes \$ 5.0 million deposited by War Supplies, Ltd. and \$ 10.0 million received from New York accounts of Canadian Chartered Banks.

HIS

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

August 12, 1944

8 p.m. RESTRICTED

AMLEGATION,

CANBERRA (AUSTRALIA)

Circular

Reference previous communications regarding refugee children.

In view of the situation in Hungary and the recent statement by Admiral Horthy that his Government would grant exit permits to, and suspend deportations of, all Jewish children for whom havens may be provided outside Hungary, would you request the government to which you are accredited to extend its acceptance in principle to children from Hungary as well as from France.

You may assure appropriate officials of that government that no detailed plans have as yet been developed for the actual immigration of refugee children into its country. Should such plans become necessary at a later date, they will not (repeat not) be developed without previous consultation with the government to which you are accredited.

STETTINIUS
ACTING
(GLW)

CODE ROOM: Repeat to Ottawa, Ciudad Trujillo, Dublin, San Salvador, Guatemala, Tegucigalpa, Managua, Asuncion and Lima.

WRB:MMV:KG
8/10/44

BC S/CR CCA NWC RPA SE

ORIGINAL TEXT OF TELEGRAM SENT

TO: American Embassy, London
FROM: Secretary of State, Washington
DATED: August 12, 1944
NUMBER: 6408

SECRET

TO AMBASSADOR WINANT, LONDON, FOR JOSIAH DuBOIS, GENERAL COUNSEL,
WAR REFUGEE BOARD

Please deliver the following message to Mr. Josiah DuBois who is with Secretary Morgenthau:

You will recall that the Hungarian Government has communicated to the Governments of the United States and the United Kingdom an offer with respect to the emigration and treatment of Jews. The American Minister in Bern was instructed to deliver to the International Red Cross on August 11 the following reply to the offer in question:

"It has now been indicated by the Hungarian Government that certain categories of Jews will be permitted to emigrate from Hungary. This Government, despite the substantial difficulties and responsibilities involved, has consistently made clear its determination to take all practicable steps to rescue victims of enemy oppression in imminent danger of death. In view of the desperate plight of the Jews in Hungary and the overwhelming humanitarian considerations involved, this Government now wishes to repeat specifically its assurance that it will arrange for the care of all Jews permitted to leave Hungary who reach neutral or United Nations territory, and will find for such people havens of refuge where they may live in safety. These assurances have been communicated to the governments of neutral countries who have been requested to permit the entry of Jews who reach their borders from Hungary. This Government now awaits some concrete evidence of the willingness of the Hungarian Government to carry out its proposal."

On July 29 the British Government was advised of the reply which this Government proposed to deliver to the International Red Cross on August 7 and the British Government was requested to take parallel action. On August 5 the British Foreign Office requested this Government to delay the delivery of its reply to the International Red Cross for several days until the matter could be discussed by the British War Cabinet. On the same day, this Government advised the British that we would postpone the delivery of our reply until August 11. The American Minister in Bern was instructed accordingly.

On August 10 the British Embassy here transmitted to this Government a message from the British Government which stated in part:

"His Majesty's Government agree that Hungary's offer should be accepted and are ready to make joint declaration with United States Government to that effect. Terms of declaration will, of course, have to be agreed between us.

"It cannot however be sufficiently emphasized that British capacity to accommodate refugees, as United States Government knows, has now become limited and thus while we accept an indefinite commitment in order to meet the wishes of United States Government we count on them not to face us with the impossible in practice, but to take their fair share of the burden."

In addition, the British Government raised certain practical problems of accomodation which will have to be considered in implementing the acceptance of the Hungarian offer.

On August 10 following the receipt of the British Government's communication, the British Embassy here was advised that the American Minister in Bern would proceed to deliver this Government's reply on August 11, but that publication of such action would be postponed until the two Governments had an opportunity to agree on a joint statement to be given to the press. It was suggested to the British Embassy here that the British Government should instruct its Minister in Bern to deliver an identical reply to the International Red Cross. It was also suggested for the consideration of the British Government that the text of the American reply delivered to the International Red Cross on August 11 be made the basis of the joint public declaration, making such slight changes as might be necessary. It is understood that the British Embassy here immediately cabled the foregoing suggestions to London.

On August 11 the following communication was transmitted by the British Embassy to this Government:

"Please communicate to the United States Government the following suggested text of Joint Anglo-American declaration approved by the War Cabinet as being the most suitable in all the circumstances:

' "United States Government has considered offer made by Hungarian Government of which they have learned through the International Red Cross and they undertake to care for all Jews who are permitted to leave Hungary and to reach neutral or United Nations territory (not withstanding that they do not all come within the classes of persons to whom the Hungarian Government's offer relates).

"His Majesty's Government in the United Kingdom have also been made aware of the offer of the Hungarian Government and with a view to relieving suffering of the Jews in Hungary will, to the extent of their resources, cooperate with the United States Government in caring for Jews who are permitted to leave Hungary and to reach neutral and United Nations territory." '

-3- #6408

"Should United States Government be unable to agree to joint declaration in this form and proceed to publicize acceptance of offer independently His Majesty's Government proposes for their part to publish the second portion of the foregoing declaration and to make an appropriate communication to the ICRC through His Majesty's Minister in Bern."

The joint public statement suggested by the British Government is regarded as unacceptable and through the British Embassy here the British Government has been requested to consider prompt concurrence in the issuance of a joint declaration as follows:

"The International Red Cross has communicated to the Governments of the United States and the United Kingdom an offer made by the Hungarian Government with respect to the emigration and treatment of Jews. In view of the desperate plight of the Jews in Hungary and the overwhelming humanitarian considerations involved the two governments are advising the Hungarian Government through the International Red Cross that despite the substantial difficulties and responsibilities involved the two governments will arrange for the care of all Jews leaving Hungary who reach neutral or United Nations territory and will find for such people temporary havens of refuge where they may live in safety. These assurances are also being communicated to the governments of neutral countries who are being requested to permit the entry of Jews who reach their borders from Hungary. The Governments of the United States and the United Kingdom emphasize that in accepting the offer which has been made they do not in any way condone the action of the Hungarian Government in forcing the emigration of Jews as an alternative to persecution and death."

We feel that the joint declaration suggested by the British is not (repeat not) a commitment by that government to the Hungarians, but merely a promise of qualified cooperation with the Government of the United States in carrying out the commitment made by the latter government. You will also note that the joint declaration suggested by the British omits any assurance by either government to find havens of refuge for Jews who reach neutral or United Nations territory.

We consider it very important that:

- (1) If such action has not already been taken, the British Government immediately instruct its Minister in Bern to deliver to International Red Cross a note identical with that delivered by the American Minister on August 11.
- (2) The British Government notify the neutral governments of the action taken by it, and request such countries to permit the entry of Jews who reach their borders from Hungary.
- (3) The British Government agree to the simultaneous issuance of a joint statement in the form suggested by us.

In our discussions with the British on this matter, we have tried to make clear the following point of view. We do not approve or agree with the action of the Hungarians in forcing the emigration of Jews as an alternative to persecution and death, and we obviously hope that circumstances will still induce Hungarian authorities to permit Jews now in Hungary to remain there in safety and that the Hungarian government will not (repeat not) insist on a large scale war-time migration. At the same time, this Government is not (repeat not) prepared to give Germany and Hungary any excuses to continue extermination or deportation of the Jews. This is the reason for this government's insistence on an early notification to the Hungarians of our joint acceptance without awaiting a final determination of all considerations of accommodation and transport. We have also tried to make clear to the British that subsequent to the notification of acceptance of the Hungarians: offer by both governments and to the publication of such acceptance, we shall be glad to discuss with the British Government the various considerations of transportation, accommodation, etc., including the question of cooperation of Latin American Governments, the Inter-Governmental Committee, etc.

The foregoing is sent to you for your information and for any appropriate action which you may be able to take. Please consult Ambassador Winant and Secretary Morgenthau.

STETTINIUS
ACTING

MS-991

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

Tangiers

Dated August 12, 1944

Rec'd 10:36 a.m.

Secretary of State,
Washington.

251, August 12, 2 p.m.

FOR WAR REFUGEE BOARD

Reference my 220, July 11, 11 a.m.

Mrs. Reichman states that she has just interviewed General Orgaz on the question of substantially increasing the number of Hungarian Jewish refugee children for whom a temporary haven in Tangier and Spanish Morocco had been originally planned and that the High Commissioner stated he agreed in principle to the admission of any number of such children provided adequate accommodations could be found. Mrs. Reichman intends to discuss with the French Consul here the feasibility of transporting lumber from unused barracks in Casablanca to construct a temporary shelter for these children. The Department will be informed of further development. Copy to Madrid.

CHILDS

WTD

HIS
Distribution of true
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arrangement. (SECRET W)

August 12, 1944
1 p.m.
SECRET "W"

AMEMBASSY,

LISBON

2237

The cable below is WRB 74.

Please deliver paraphrase of following message to
Dr. Joseph Schwartz from Leavitt of the American Jewish Joint
Distribution Committee:

QUOTE Suggest Saly Mayer do everything possible
for 1200 Rabbis and other Hungarian Jewish religious
leaders and keep us advised. UNQUOTE

STETTINIUS
ACTING
(GLW)

S/CR

WRB:MMV:KG
8/11/44

HIS
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arrangement. (SECRET W)

August 12, 1944

3 p.m.

SECRET

AMEMBASSY,

LISBON
2239

With reference to message for Schwartz from Resnik Istanbul your 2410 August 4, the following cable has been sent to Hirschmann Ankara:

QUOTE It is assumed that you are aware of the fact that any discussions with Bulgarian or Rumanian authorities must be strictly confined to questions of relief of refugees closely associated with their rescue and must not enter into the field of the domestic affairs of these countries. In view of the present situation and in view of information available here as to Balabanoff's aims the Board reemphasizes that the utmost caution must be exercised to avoid any inferences which might be drawn from your discussions that any promises or commitments have been made with respect to peace terms or postwar settlements, or assistance in economic rehabilitation or of any other kind.

It will be appreciated in connection with the foregoing if you will clarify paragraph six of the cable under reference. (Your 141 August 2, In its present drafting the Department believes that Balabanoff may easily construe this paragraph as including an offer of postwar economic rehabilitation for his country. Obviously such an offer cannot be made by this Government acting alone, by the War Refugee Board or by its representatives. Paragraph six is only in order provided it refers to an immediate program for the relief of Jews in Bulgaria associated with the Board's general rescue program. UNQUOTE

With reference to section two your 2410 you are authorized to deliver Resnik's cable to Schwarrz explaining to him at the same time that Resnik's message must be understood and accepted in the light of the foregoing cable to Hirschmann at Ankara.

STETTINIUS
ACTING
(GLW)

WRB:GLW:KG
8/11/44

S/CR

NE

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WE

HIS
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SECRET "W"

August 12, 1944
4 p.m.

AMEMBASSY,

LISBON

2240

The cable below is WRB 75.

Please deliver paraphrase of following message to
Dr. Joseph Schwartz from Leavitt of the American Jewish
Joint Distribution Committee:

QUOTE No reply from Saly Mayer to our June fifteenth
cable regarding Vaad and Mizrachi requests. Mizrachi
organization received another cable from Doctor Isaac Rom.

INNERQUOTE Urgently need great means salvation Jews
without Switzerland Mizrachista and others. Possibilities
furthermore salvation children in non-Jewish families and
cloisters who get estranged and lost as Jews. Wish create
homes. Saly Mayer of Joint so far passive gives only Red
Cross for children. END INNERQUOTE Please contact him
and advise. INNERQUOTE

STETTINIUS
ACTING
(GLW)

WRB:MMV:KG
8/12/44

S/CR

WE

CABLE TO AMERICAN EMBASSY, MADRID

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

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

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

4:05 p.m.
August 12, 1944

LSLesser:tmh 8-2-44

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(SECRET W)

SECRET "W"

August 12, 1944
4 p.m.

WAR REFUGEE BOARD

CONFIDENTIAL

AMEMBASSY,

MADRID.

2240

Reference your 2623 of July 28 and 2643 of July 31. Department and War Refugee Board are most appreciative of your successful participation in obtaining Spanish authorization for 1500 visas for Hungarian Jews and of 500 additional visas for children.

STETTINIUS
(ACTING)
(GLW)

WRB:MMV:KG
8/12/44

NE

S/CR

HIS
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arrangement. (SECRET W)

August 12, 1944

58

4 p.m.

SECRET "W"

AMLEGATION,
STOCKHOLM.
1606

The following for Johnson and Olsen is WRB 72.

1. In addition to Hungarian offers reported in Department's 1501 of July 28, 1486 of July 27, ~~1526~~ of July 31, and 1572 of August 7, to you, Department and Board received information from various sources regarding changed attitude of Hungarian Government with versions widely differing. Principal uncertainties concern following points;

Have deportations been definitely stopped for all categories or only suspended, and if so, for how long, and for what categories?

To what extent will Jews in Hungary be permitted and in fact enabled to procure food and other necessities through ordinary, commercial channels and aside from Intercross action?

To what extent is it possible to expect that stoppage of deportations and other forms of actual danger to life would continue even in the absence of actual sizeable emigration of Jews from Hungary during hostilities?

To what extent is emigration to countries other than Palestine permitted to Jews over ten years of age?

Is there a way to conduct emigration in such a way as to prevent breaking up of families, with children under ten separated from parents?

To what extent, in view of internal situation in Hungary, is it possible to count on Hungarian promises being made effective and continuing up to the termination of hostilities?

It would be deeply appreciated if Wallenberg could clarify all above points for guidance of Department and Board.

2. Leaving it to Wallenberg's discretion to continue activities outlined in Department's 1353 of July 7, it appears here that main emphasis should be placed now on inducing appropriate Hungarian circles to maintain and strengthen the newly reported relaxation of Jewish regime in Hungary and to apply such relaxation to all Jews in Hungary without exception.

3. Please advise Department and Board as soon as possible of answers to any of above questions.

STETTINIUS
ACTING
(GLW)

WRB:MMV:KG
8/11/44

S/CR

NOE

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August 12, 1944

5 p.m.

SECRET "W"

CONFIDENTIAL

AMLEGATION,
STOCKHOLM.
1607

The following for Olsen is WRB 71.

The War Refugee Board requests that a paraphrase of the following message be delivered to Wilhelm Wolbe, 11 Olefsgotten Strasse, Stockholm, Sweden:

QUOTE Endeavor contact Lithuania and Latvia, seek means rescue rabbis and scholars, also send relief food clothing medicaments. If possible, go yourself or send delegate. Try arrange Swedish visas for Hungarian Jews especially children, will send needed funds. Urge Lehman interest himself in Rahel Reinitz daughter of Rabbi Lichtig husband and children names as follows: Rahel Reinitz nee Lichtig born Hamburg 1930, daughter Gabriele born 1935, all Czechoslovakian nationality, last known address c/o Rabbi Tigerman Ersekujvar Hungary. Vaad Hahatzala Emergency Committee, Rabbis Aron Kotler, Abraham Kalmanowitz. UNQUOTE

STETTINIUS
(ACTING)
(GLW)

ACTING

WRB:MMV:KG
8/11/44

S/CR

NOE

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(SECRET W)

August 12, 1944
6 p.m.
SECRET "W"

War Refugee Board

AMLEGATION,

STOCKHOLM.

1609

The following for Olsen is WRB 73.

On recommendation of Board, Treasury has issued license to International Rescue and Relief Committee, permitting monthly remittance of 2,000 dollars for a period of 6 months to Madame Elise Ottesen-Jensen, Stockholm, provided such funds will be utilized only as authorized by Olsen.

STETTINIUS
(ACTING)
(GLW)

WRB:MMV:KG
8/11/44

S/ER

NOE

WT

SWP

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN LEGATION, Stockholm
TO: Secretary of State, Washington
DATED: August 12, 1944
NUMBER: 3068

SECRET

With reference to Department's cable 1301, dated June 30, 1944, an invoice has been presented by Steamship Company for Swedish kronor 40,000 for evacuation ship and kronor 959 for nurses and doctors fees, meals for evacuees and incidental necessities totaling kronor 40,959 which is equal to \$9,799 in American dollars.

It is requested that you send instructions concerning whether the Legation is authorized to make complete payment from evacuation funds now on hand with the Department, charging to and collecting from several categories of persons concerned. Should further details or documents support the voucher covering payment, or is the data contained in Legation's cable 2457, dated July 5, 1944 enough for purposes of accounting?

JOHNSON

DCR:MSD
8/16/44

EOC-195
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special arrangement,
(SECRET W)

Stockholm

Dated August 12, 1944

Rec'd 8:28 p.m.

Secretary of State,

Washington.

3074, August 12, 9 p.m.

WRB No. 71.

Following is substance of note dated August 11,
received from Foreign Office (re Department's 1501,
July 28, 10 p.m. WRB 58).

Swedish Legation Budapest authorized issue
Swedish visas Jews holding American immigration visas
issued on or after July one, 1941. Swedish Legations
Budapest, Berlin instructed inform respective govern-
ments that effect.

JOHNSON

JMS

EMB

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
 TO: American Legation, Bern
 DATED: August 12, 1944
 NUMBER: 2774

CONFIDENTIAL

FOR MCCLELLAND:

The War Refugee Board requests that you deliver the following message to Isaac Sternbuch, St. Gallen, Switzerland:

QUOTE Reference to message of July 21 guaranteeing one million francs, it is necessary that **Freudiger** rescue plan secure Mc Clelland's approval. Upon your sending us notification of such approval and Mc Clelland notifying War Refugee Board likewise we are hopeful after conference that Joint will grant needed sum.

Concerning Neutra Rabbi's request behalf 1800 persons Joint cabling Saly Mayer regarding matter.

Advise developments rescue project for 1200 persons. Please confirm receipt of francs 428, 816 forwarded July 28.

VAAD HAHATZALA EMERGENCY COMMITTEE
 ABRAHAM KALMANOWITZ UNQUOTE

The following from WRB to McClelland:

In view of your 4802 of July 26 and Department's 2656 of August 2, Board assumes that you will have acquainted Sternbuch with your decision regarding Freudiger proposal and that Sternbuch will notify Vaad Hahatzala accordingly.

THIS IS WRB BERN CABLE NO. 116.

STETTINIUS
 (Acting)

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: August 12, 1944
NUMBER: 2775

CONFIDENTIAL

Please advise Mr. Rene Bertholet, 14 Wasserstrasse, Zurich, Switzerland, representative in Switzerland of the International Rescue and Relief Committee, Inc., New York City, that the Treasury Department has amended Section 2 of license No. W-2138, described in the Department's telegram No. 839 of March 14, 1944, to read as follows: "The total amount of funds paid out or set up in blocked accounts or otherwise obligated under the terms of this license shall not exceed the amount of dollars (or the foreign currency equivalent thereof) authorized by specific Treasury license to be used under this license."

This amendment is in connection with a specific Treasury license issued to the International Rescue and Relief Committee to remit to Mr. Bertholet the Swiss franc equivalent of \$60,000 to be used under license No. W-2138, in addition to remittances previously licensed. It has the approval of the Department, the War Refugee Board and Treasury.

THIS IS WRB CABLE TO BERN NO. 118.

STETTINIUS
Acting

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: August 12, 1944
NUMBER: 2776

CONFIDENTIAL

Please inform Rene Bertholet, 14 Wasserstrasse, Zurich, Switzerland, that Treasury Department has issued license to International Rescue and Relief Committee, Inc., New York City, permitting it to remit to him the Swiss franc equivalent of \$5,000 per month for a period of six months to continue relief of Spanish refugees in camps in southern France. This license stipulates funds remitted thereunder shall be utilized by Mr. Bertholet only as authorized by the War Refugee Board representative at Bern. These operations are a continuation of those contemplated in the Department's telegram No. 740 of March 6, 1944 and are approved by the Department, the War Refugee Board, and Treasury.

THIS IS WRB CABLE TO BERN NO. 119.

STETTINIUS
(Acting)

CABLE TO HARRISON AND MCCLELLAND, BERN.

Please promptly inform Mrs. Marjorie McClelland, 7 Rues des Chaudronniers, Geneva, that Treasury Department has licensed American Friends Service Committee, Philadelphia, to authorize her, as its representative in Switzerland, to utilize from funds being remitted under such license, the Swiss franc equivalent of \$10,000 for the purchase of French francs for the relief of displaced persons in France provided such French francs are purchased in the manner which shall be prescribed by the War Refugee Board representative, he may authorize the purchase of such French francs by any of the three methods provided in the basic licenses being issued to relief organizations with respect to operations in enemy territory.

The foregoing license has the approval of the Department, Treasury and the War Refugee Board.

THIS IS WRB CABLE TO BERN NO. 121

225 p.m.
August 12, 1944

RBParkes:fHodel:jth 8/12/44

CABLE TO MINISTER HARRISON AT BERN AND McCLELLAND

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

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

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

THIS IS WRB BERN CABLE NO. 122

4:05 p.m.
August 12, 1944

LSLesser:tmh 8-2-44

69

CORRECTION OF PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, Bern
TO: Secretary of State, Washington
DATED: August 12, 1944
NUMBER: 5233

SECRET

This message is from McClelland for WRB and refers to Department's 2407, July 13, sixth paragraph.

We are contacting certain qualified relief organizations for the purpose of securing lists of individuals in enemy controlled territory in whose names Latin American papers have been issued but who do not possess these papers.

However, it is not recommended that too extensive an inquiry of this kind be made as it is apt to result in the compilation of unlimited lists of individuals for whom it will be claimed that such papers, especially those of El Salvadore, were issued in the past but could not be transmitted to these persons. See Legation's 3867, June 17. In the past the Salvador Consulate General at Geneva has issued so called "nationality" papers by the hundreds. These papers usually were predated and if encouraged it appears that it will continue to do so on an even more extensive scale.

It is our opinion (see Legation's 3867, June 17) that the forwarding of false Salvador papers into Hungary should not be continued. As deportation has ceased, such documents apparently have no value for entry into El Salvador and they deceive neither the Germans nor the Hungarians and no preferential recognition is accorded their bearers. Some weeks ago several cases were reported to us from Hungary where the possession of Salvador papers had a precisely opposite effect from that desired causing the arrest at once by Hungarian officials of persons carrying false nationality documents.

See Department's 2484, July 21. It would appear inadvisable, in view of the position which the Salvadoran Government has taken toward these false papers, to sanction them officially by submitting them to the Swiss Federal Political Department, especially when there is the feeling that any extensive increase in the amount of false Latin American papers if directed to the attention of the Government of Germany may immediately endanger the already precarious status of thousands of holders of all such papers presently in the hands of Germany and who hitherto may have been saved from being deported primarily because the German Government chose to accord recognition to their papers and put them in regular civilian internment camps for American nationals feeling perhaps that against German nationals who are held in the Western Hemisphere they constituted a reservoir

-2- #5233 from Bern, dated August 12, 1944

tuted a reservoir for exchange.

It is probable, as Legation's 4659, July 21, second paragraph two emphasized that the Germans will continue to honor any false Latin American papers so long as they feel that there exists the possibility of a practical exchange.

HARRISON

DCR:EMS 8/15/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: August 12, 1944
NUMBER: 5248

SECRET

Reference is made herewith to my message of August 5, no. 5042.

I was told yesterday by Mr. Pilet that he was advising the Swiss Minister in Budapest that Switzerland would be prepared to give temporary refuge to 8,000 individuals holders of Palestinian certificates in the event that they could not proceed eastward.

He had considerable doubt, however, whether these individuals would be able to secure permission to proceed westward as his most recent information from Budapest indicated that it did not lie with Hungarians or with the Wehrmacht but with the Gestapo as to whether the necessary permission would be granted. His willingness to receive holders of the Palestinian certificates was in addition to the proposed asylum for expectant mothers and children.

HARRISON

BAS
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August 12, 1944

1 p.m.

SECRET

AMEMBASSY,
 ANKARA
 697
 FOR HIRSCHMANN.

With particular reference to your 1414 of August 2 your efforts to improve conditions of Jews in Bulgaria are appreciated by Board.

It is assumed that you are aware of the fact that any discussions with Bulgarian or Rumanian authorities must be strictly confined to questions of relief of refugees closely associated with their rescue and must not enter into the field of the domestic affairs of these countries. In view of the present situation and in view of information available here as to Balabanoff's aims the Board **reemphasizes that the** utmost caution must be exercised to avoid any inferences which might be drawn from your **discussions** that any promises or commitments have been made with respect to peace terms or postwar settlements or assistance in economic rehabilitation or of any other kind.

It will be appreciated in connection with the foregoing if you will **clarify** paragraph six of the cable under reference. In its present drafting the Department believes that Balabanoff may easily construe this paragraph as including an offer of postwar economic rehabilitation for his country. Obviously **such an offer** cannot be made by this Government acting alone, by the War Refugee Board or by its **representatives**. Paragraph six is only in order provided it refers to an immediate program for the relief of Jews in Bulgaria associated with the Board's general rescue program.

STETTINIUS
 ACTING
 (GLH)

WRB:GLW:KG
 8/11/44

S/CR

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FBI
Distribution of true
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arrangements. (SECRET -W)

August 12, 1944
2 p.m.

AMEMBASSY,

ANKARA.

698

The cable below for Hirschmann is WRB 99.

On recommendation of Board, Treasury has licensed International Rescue and Relief Committee to remit 5,000 dollars per month for a period of 6 months to Leon P. Dennenberg, Ankara, provided such funds will be utilized only as authorized by the American Ambassador and/ or Hirschmann.

STETTINIUS
(ACTING)
(GLW)

WRB:MMV:KG
8/11/44

NE WT SWP S/CR

LFG-261
 Distribution of true
 reading only by special
 arrangement. (SECRET W)

Ankara

Dated August 12, 1944

Rec'd 1 a.m., 13th.

Secretary of State,

Washington.

1478, August 12, 2 p.m.

FOR PEHLE WRB FROM HIRSCHMANN.

Ankara's 131

For your information following was received
 by me in Istanbul from an authentic source.

The Catholic Church in Hungary has taken an active part in rescuing many Hungarian Jewish citizens by means of technical device on conversion of Jews to Christianity. Nazis have attempted in numerous ways to oppose these measures to which the church and especially the Dominicans, who have been most sympathetic, responded they have authority to baptize immediately any person who is in imminent danger of death. During air raids hundreds of Jews are baptized in air raid shelters. When religious classes for Jews were held in churches, groups of Hungarian Nazis entered and broke up the classes which resulted in most of the baptism now taking place in the shelters. It is reported that in the past month more Jews have been converted to Christianity than during the last 15 years.

KELLEY

WMB

RA-262
Distribution of true
reading only by special
arrangement. (SECRET W)

Ankara

Dated August 12, 1944

Red'd 1 a.m., 13th

Secretary of State

Washington

1479, August 12, 5 p.m.

For your information (FOR PEHLE FROM HIRSCHMANN ANKARA'S NO. 132) the Governments of Rumania Bulgaria and Turkey have agreed in principle to grant transit visas to Jewish refugees from Hungary who have obtained Palestine entry certificates. The two thousand Hungarian Jews constituting the first group which had been ready to leave Hungary had been expected to arrive in Rumania some days ago. It is not understood in Istanbul why this emigration does not proceed since the Hungarian authorities in their announcement stated that exit facilities would be granted to Jews in Hungary for whom Palestine visas had been authorized and Turkish transit visas approved in principle.

Information received in Istanbul from reliable private sources indicates that although the Hungarian Government has agreed to provide the necessary exit facilities final authorization must be granted by the German military and political organizations in Budapest for the departure of each individual transport, and we are informed that such authorization has not until now been granted.

It is urgent that we know at the earliest possible moment what actually is causing the delay in the departure of this first group of 2000 Hungarian Jews in order that we may take such steps as may be possible from Istanbul to facilitate their emigration. We are exploring the situation from here but suggest that concurrently you request the Swiss Government and the International Red Cross to investigate the situation in Budapest. Please keep us advised of the results of your inquiry.

HTM

KELLEY

NOT TO BE RE-TRANSMITTED

SECRET

Copy No. 11

OPTEL No. 262

Information received up to 10 A.M. 12th August 1944

1. NAVAL

On 10th, carrier borne aircraft from three British carriers attacked objectives near KRISTIANSUND. Two armed ships, an oil sifter and two hangars set on fire; 6 KB 109's destroyed. Three B.D.F. and two wireless stations also attacked and mines laid off NORWEGIAN Coast. Our losses, two aircraft.

Yesterday a British Repair ship damaged by underwater explosion off NORMANDY. Five killed, 50 missing. This morning, ships of second escort group and a Sunderland sank a U-boat off LAROCHELLE and took the crew prisoner.

2. MILITARY

France Little change BRITANNY where mopping up proceeding. Hard fighting continues VIRE MORTAIN area while S. and S.E. of VIRE some gains made. U.S. drive northwards from LEMANS has made good progress and reconnaissance elements have reached LA FERTE BERNARD, MORTAGNE and ALENCON. Very heavy fighting on whole British Army front and advances made notably in capture of THUKY HARCOURT and the extension of ORNE bridgehead. No further progress Canadian Army front.

Italy Poles have cleared the Germans from south bank of CESANO and have established a bridgehead across the river about two miles inland from ADRIATIC. New Zealanders have advanced about 1 1/2 miles in area about 18 miles West FLORENCE.

Russia Russians report resumption of their offensive W. and S.W. of PSKOV and advance of up to 13 miles on 38 mile front. They have also advanced West of KRUSTPILS, BIALYSTOK and SIEDLCE and have repulsed German counter attacks while increasing their bridgehead over the VISTULA.

3. AIR OPERATIONS

Western Front 10th/11th. 776 tons on the two oil depots and 402 on DIJON Railway centre. 11th. 554 Bomber Command aircraft and 856 U.S. heavy bombers in good weather attacked objectives in FRANCE including 7 railway centres and a railway bridge - 2,925 tons; three fuel depots in E. and NE FRANCE 335. Defences BREST, 776; U-boat pens BORDEAUX and LAPALLICE 250; three airfields near PARIS 309, and four flying bomb launching sites 292. A.E.A.F. bombers dropped 424 tons on railway bridges north of PARIS and on dumps and gun positions battle area while fighters flew reconnaissances and patrols. 6 German aircraft destroyed for 5 heavy and 2 medium bombers and 4 fighters missing. 11th/12th. Aircraft despatched: GIVORS Railway centre 187; BERLIN 33 (1 missing); Other tasks 52.

Italy 10th. Unfavourable weather restricted operations but 162 Thunderbolts attacked communications etc. in N.W. ITALY.

Rumania On 9th/10th and 10th total 482 MEDITERRANEAN bombers attacked 7 oil refineries PLOESTI area dropping 1,032 tons with good results. Enemy casualties 6:0:3, ours 24 bombers, two fighters missing.

German Activity During 24 hours ending 6 A.M. 12th, 99 flying bombs plotted.

SECRET

OPTEL No. 263

Information received up to 10 a.m., 13th August, 1944.

1. NAVAL

A human torpedo was sunk off NORMANDY in British area early 11th. One of H.M. Battleships bombarded the 12" gun battery on ALDERNEY yesterday. Off LA ROCHELLE yesterday afternoon one of R.M. Cruisers and Destroyer with a Polish Destroyer sank an 8,000 ton armed merchant vessel and early this morning a Sunderland sank a U-boat; 30 prisoners were taken by surface craft.

2. MILITARY

FRANCE. U.S. drive northwards from LE MANS still making rapid progress and has passed ALENCON with advanced armoured elements reported area ARGENTAN. MORTAIN has been recaptured. BREST and LORIENT are still holding out. No further progress towards PALAISE and heavy fighting continues. German salient between LAIZE and ORNE east of BRETTVILLE has been eliminated.

ITALY. In area 5 miles S.E. CAGLI Allied forces advanced about 5 miles and occupied FRONTONE. British forces are now firmly across ARNO in Eastern outskirts FLORENCE, while an Indian Division entered LASTRA 7 miles west of FLORENCE without opposition. During 9th/10th a Commando Force, 60 strong, from ANCONA destroyed a bridge thus cutting all road communications between islands of LUSSINO and CHERSO off ISTRIA. 4 enemy captured. Our losses nil.

RUSSIA. Russians report continuation of their offensive on Western DVINA and progress in the JELGAVA, BIALYSTOK and SIEDLCE sectors with recapture of numerous inhabited localities in all of these areas.

BURMA. On IMPHAL-TIDDIM Road our troops are now 5 miles north of BURMA frontier. On 11th in MOGAUNG area TAUNGNI village about 20 miles N.E. of HOPIN was captured. More than 100 Japanese killed and much equipment captured.

3. AIR

WESTERN FRONT. 11th/12th. 683 tons on GIVORS railway centre with good results. 12th. Escorted Bomber Command aircraft in good weather dropped 278 tons on U-boat pens BREST, LA PALLICE and BORDEAUX, and 365 on ammunition depot FORET DE MONTRICHARD near TOURS. 650 escorted U.S. heavy bombers (5 missing) dropped 185 tons on METZ railway centre and 1093 tons on 9 airfields, mostly in Northern France and at TOULOUSE. 837 fighters (16 missing) successfully attacked objectives N.E. FRANCE dropping 265 tons and destroying 5 German aircraft in the air and 14 on the ground. Bombers of A.E.A.F. (6 missing) dropped 345 tons on road junctions, railway bridge near ROUEN and ammunition dump near BEAUVAIS. Results fair to excellent. 459 fighters (1 missing) on reconnaissance and Army support dropped 74 tons and destroyed 59 M.T. and 2 tanks. Coastal Command Beaufighters attacked shipping off LA ROCHELLE and set on fire a 5,000 ton merchant vessel.

12th/13th. 1,151 aircraft despatched (49 missing): BRUNSWICK 379, RUSSELSHEIM near FRANKFURT 297, PALAISE 144, Diversionary sweep 147, sea mining 14, leaflets 21, other tasks 149.

ITALY AND SOUTHERN FRANCE. 12th. Heavy bombers from MEDITERRANEAN (6 missing) dropped 778 and 220 tons respectively on gun positions near GENOA and SETE. Other heavy bombers dropped 224 tons on similar objectives MARSEILLE area (9 missing) while 102 Mustangs (3 missing) attacked 14 RDF installations near MARSEILLE.

4. HOME SECURITY

During 24 hours ending 6 a.m. 13th 61 flying bombs plotted. Short active spells and long lulls.



DEPARTMENT OF STATE
WASHINGTON

August 14, 1944

Dear Henry:

Thank you very much indeed for your thoughtful and kind letter of August 5. I deeply appreciate what you say about my part in the United Nations Monetary and Financial Conference.

As I am sure you know, it was a very great pleasure to me to have had the privilege of being a member of the delegation under your Chairmanship and to have shared with you and with the other delegates in the formulation of the proposed Fund and Bank. It is also a deep satisfaction to know that you feel that the results produced at Bretton Woods justified the confidence and hopes placed in the delegates and that they will be of significance in international arrangements for an enduring peace. I am sure that this is so and that the complete success of the Conference in arriving at these results was due to the skillful direction which you gave to the Conference and to the excellent preparatory work of Dr. White and his staff.

There is, as you say, still a great deal to be done on the part of this Government and by those of us who are deeply concerned to see that the proposed organizations are brought into being and accepted by this country. I shall be ready at any time to be of all assistance to you that I can.

Sincerely yours,

Assistant Secretary.

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



FEDERAL RESERVE BANK
OF ATLANTA

OFFICE OF
FIRST VICE PRESIDENT

August 14, 1944

Dear Mr. Morgenthau:

Let me express my appreciation for your cordial and thoughtful letter of August 5.

I desire in return to say that I felt greatly honored by my inclusion in the staff of the American delegation; and, more particularly, I want to say that the agreements reached at Bretton Woods are a great tribute to you and your colleagues in the Treasury Department. The agreements seem to me to be good agreements, and I want to assure you that I shall do my best to create in this region a point of view favorable to them.

Sincerely yours,

Malcolm Bryan
Malcolm Bryan

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

FOR DEFENSE



25

August 14, 1944.

Dear Mr. Keales:

Your letter of August 11, which forwarded a copy of the memorandum from the Executive Committee of the Federal Open Market Committee to the Secretary, has been received during Mr. Morgenthau's absence. Your letter and its enclosure will be brought to Mr. Morgenthau's attention when he is again at his desk.

Sincerely yours,

(Signed) H. S. Klotz_m

H. S. Klotz,
Private Secretary.

Mr. H. S. Keales,
Chairman, Board of Governors of the
Federal Reserve System,
Washington, D. C.

GHF/dbs



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

August 11, 1944

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

Dear Mr. Secretary:

I am enclosing a memorandum that discusses the results of the Fifth War Loan Drive and suggests for consideration various measures for improving the situation during the Sixth and succeeding drives. This memorandum has been prepared following a full discussion by the Executive Committee at its meeting held on July 29 and further telephone discussion since that time.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "M. S. Eccles".

M. S. Eccles,
Chairman.

Enclosure

STRICTLY CONFIDENTIALMEMORANDUM FROM THE EXECUTIVE COMMITTEE OF THE
FEDERAL OPEN MARKET COMMITTEE TO THE SECRETARY OF THE TREASURY

The Executive Committee of the Federal Open Market Committee, at its meeting held on July 28, 1944, discussed the results of the Fifth War Loan Drive, giving particular attention to suggestions that might be made for further improvement in performance during the Sixth and succeeding drives. While recognizing the substantial accomplishments in increasing sales of Government securities to nonbank investors since the First War Loan Drive in December 1942, the Committee is concerned about the large expansion in bank credit, the growth in speculative purchases, and the methods of indirect purchases of securities by banks that accompanied the recent drive. It is feared that these developments, which no doubt were profitable to those who evaded the rules, will lead to further evasion in the future, unless some simple and definite yardstick is provided for limiting subscriptions that can be applied when subscriptions are initiated. Under conditions that existed during the past drive, the Reserve Banks had no basis, except in the case of dealers and brokers, by which to impose effective and uniform policing of subscriptions and had to rely primarily on the commercial banks, inasmuch as the only subscriptions subject to policing were those that involved bank loans. It is the opinion of the Committee, therefore, that additional steps should be taken to curb undesirable practices and to increase the pressure for sales to nonbank investors, to the end that the proportion of the debt going to the banking system, particularly indirectly, may be further reduced.

At weekly reporting member banks, total loans on and investments in Government securities between June 7, the reporting date preceding the drive, and July 12, the reporting date following the drive, increased by 6.7 billion dollars. This total comprised 4.9 billion dollars of purchases of Government securities, 546 million of loans on Government securities to brokers and dealers, and 1.3 billion of loans on Government securities to others. A substantial part of the increase in bank investments and of the loans on Government securities to brokers and dealers represented securities that were sold in the market by nonbank investors desiring to increase their subscriptions in the drive. A considerable part of the loans on Government securities to others represented subscriptions that were made for the purpose of quick resale or to carry at a profit. In addition, there is evidence that a number of banks arranged with their customers, officers, directors, or affiliated corporations to place subscriptions during the drive, with the understanding that after the drive the banks would purchase the securities thus obtained. The loans that made possible these latter transactions are in direct contravention of the Treasury's request with respect to bank loans for the purchase of securities during the drive.

While no data are available as to the exact extent of these speculative and indirect purchases, it is evident from the figures of reporting member banks and from reports of sales in certain categories that such purchases were not only widespread but reached exaggerated proportions in certain localities. In eight States, sales of Series E bonds ranged between 83 and 121 per cent of quotas, but sales of other securities to individuals, partnerships, and personal trust accounts were disproportionately large, reaching more than three times the quota in Georgia and between two and three times the quotas in Alabama, Florida,

STRICTLY CONFIDENTIAL

- 2 -

Kentucky, Maryland, Mississippi, Oregon, and Tennessee. Such comparisons, together with knowledge of practices carried on in certain cities, created much dissatisfaction on the part of bankers and other members of the War Finance Committee organization and so impaired the usefulness of quotas.

Bankers who respected the Treasury's request and made no speculative loans and no special subscription arrangements with their customers or with others feel that they were placed at an unfair disadvantage in relation to their competitors who engaged in such practices. They resent purchasing securities at a premium from speculators when their competitors by virtue of prior arrangements have obtained the interest on loans, obtained the use of war loan deposits, and purchased the securities at or near par. Unless the Treasury takes strong steps to eradicate such practices, it is likely that other banks will follow them in the next drive, and sales organizations in communities that reached their quotas the hard but the sound way may be tempted to adopt the easier method. Few bankers would object to restrictive measures if they were satisfied that these measures were being applied uniformly.

With this background in mind, the Executive Committee suggests consideration of the following measures to improve the situation:

1. That the Treasury appeal more strongly than heretofore for the whole-hearted cooperation of commercial banks in complying with Treasury wishes regarding loans on securities offered in the next drive and that the Treasury at the same time condemn the undesirable practices that developed during the Fifth War Loan Drive and indicate that in the future any subscriptions not entered in accordance with the Treasury's request will be subject to rejection.
2. That subscribers for market issues, other than brokers and dealers, be required to make a down payment of 25 per cent of their subscriptions from existing funds when entering subscriptions that involve bank loans. Policing of subscriptions from investors, other than brokers and dealers, by the Federal Reserve Banks is probably physically impossible because of their volume and timing when the drive technique is used. The only practical way to police or limit them, therefore, is at the commercial banks before they are entered and paid for. This method in any case would cause the least resentment. Since it is only those subscriptions involving bank loans that are subject to policing, it is the feeling of the Committee that the requirement of 25 per cent down payment will serve naturally to reduce speculative subscriptions and to bring about uniform action by the banks in all parts of the country. In this connection, banks should be required to certify on the subscription form that at least 25 per cent of the amount of each subscription has been paid in cash without borrowing from the certifying bank for the purpose and that they have no beneficial interest in such subscriptions.
3. That the Treasury again request the Reserve Banks to police subscriptions from brokers and dealers and that the Treasury provide a more specific yardstick, one that can be readily understood and uniformly applied.

4. That a partial-payment plan be inaugurated and the lowest denomination of marketable bonds be reduced from \$500 to \$100 in an attempt to increase subscriptions from permanent investors. These measures would also reduce the demand for securities between the drives and meet the reported demand from an increasing number of investors who would prefer to purchase marketable bonds rather than add further to their holdings or regular current purchases of Series E bonds.

5. That the number of issues offered in drives that are available for bank purchase after the drive closes be reduced. A substantial part of the speculation during the Fifth Drive arose from the fact that the basket included three issues available for bank purchase after the drive closed.

6. That the use of war loan deposits above a minimum uniform percentage be denied to all qualified depositories who ignore the Treasury's request concerning speculative loans.

7. That consideration be given to a return to the practice of offering securities directly for commercial bank subscription. It is just as inflationary for banks to acquire securities indirectly as directly. If the indirect method serves to reduce bank purchases, it should be continued. If, however, it does not so serve, it would be preferable again to offer securities directly for commercial bank subscription. Banks might be permitted, as after the Third Drive, to purchase a limited amount of securities shortly after the close of the drive, when their excess reserves are large. Such purchases should serve to reduce the amount of speculative subscriptions from nonbank customers, since the secondary demand would be reduced. The corporate but not the individual quota should be reduced by the amount of the offering for direct bank subscription.

8. That trading in the marketable issues included in the drive be postponed until 15 days after the close of the drive.

9. That the Treasury make no increase in outstanding bills during the drive. Increases in outstanding bills are taken by the Federal Reserve, thereby adding to excess reserves, and consequently stimulate bank purchases.

August 11, 1944

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Country

ADDRESS OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON, D. C.



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FMA

August 14, 1944

My dear Mr. Secretary:

My attention has been called to despatch No. 2700, June 17, 1944, from the American Embassy at Chungking, transmitting a review of Generalissimo Chiang Kai-shek's book, Chinese Economic Theory, prepared by Mr. Solomon Adler, United States Treasury representative at Chungking. A copy of the despatch is attached.

Officers of the Embassy and of the Department have found Mr. Adler's review to be very useful, and have asked me to express to you their high opinion of Mr. Adler's work, and their appreciation for the assistance he has rendered to the Embassy as Treasury representative. I am pleased to learn that, under arrangements recently completed, Mr. Adler will remain in Chungking as Financial Attaché to the Embassy.

Sincerely yours,

For the Secretary of State:

Assistant Secretary

Enclosure:
Copy of despatch 2700.

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



Treasury Department
Division of Monetary Research

85

Date Sept. 4, 1944

To: Secretary Morgenthau

You might be interested in glancing at the marked passages of Adler's comments on the Generalissimo's book. They indicate the direction in which the Generalissimo would like to go.

H.D.W.

MR. WHITE
Branch 2058 - Room 214½

MR. MORGENTHAU'S OFFICE TO-

86

Mr. D. W. Bell	Mr. Thompson
Mr. Gaston	Mr. Haas
Mr. Sullivan	Mr. Blough
Mr. Paul	Mr. Shaeffer
Mr. White	Mr. Smith
Mr. Gamble	

Mr. Bartelt	Mr. Kilby
Mr. C. S. Bell	Mr. Lynch
Mr. Birgfeld	Mr. Mack
Mr. Broughton	Mr. Nunan
Mr. Collie	Mr. Pehle
Mr. Coyne	Mrs. Ross
Miss Diamond	Mr. Schmidt
Mr. Hall	Mr. Surrey
Mr. Hanna	Mr. Upham
Mr. Julian	Mr. Frank J. Wilson
	Mr. T. F. Wilson

Chungking, China
June 17, 1944

STRICTLY CONFIDENTIAL

No. 2700

Subject: Generalissimo Chiang Kai-shek's Book
Chinese Economic Theory.

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

Sir:

Referring to the Embassy's despatch No. 2605 of May 23, 1944, in regard to Generalissimo Chiang Kai-shek's book Chinese Economic Theory, I have the honor to enclose (a) critique of the book prepared by Mr. Solomon Adler, United States Treasury Department representative at Chungking, and (b) summary of the book also prepared by Mr. Adler.

Summary of Mr. Adler's Critique.

Authorship. The real author of Chinese Economic Theory is Tao Hsi-sheng, a Japanese-returned student and a former Wang Ching-wai adherent. Tao is considered anti-western and is not highly regarded by Chinese intellectuals. He is very close to the Generalissimo and in the preparation of the book is said to have had the assistance of another member of the Generalissimo's "brain trust", UEN Pao-ying, who is also a Japanese-returned student.

Ideological Content. The book is definitely fascist in ideology, its dominant spirit being one of feudalism tinged with paternalism, the social form facism would be expected to take in the specific Chinese agrarian context. Its chauvinism, characteristic of all forms of fascism, is obvious throughout the book, being reflected in the bland assumption of the superiority of Chinese culture, both in general and in particular, over all other cultures. It is permeated with the glorification of the state as such and with contempt for individuals and individual rights.

Economic Theory. The book's approach to economics is pre-scientific and there is no sign of any systematic or reasoned analysis nor of any appreciation of economics as an integrated and coherent discipline. The discussion of economics in general is based on the Chinese characters ching chi (), which meaning "management and supply" and taken literally throughout the book leads to serious misunderstanding of the method and content of economic science. The book presents "Chinese" economics as based

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- 2 -

to "Western" economics, an idea alien to the tradition that science knows no national frontiers. Discussion of "Chinese" economics is based largely on scattered comments on economic policy in the Chinese classics and history which do not justify the contention that a Chinese school of economics existed or that, if it did, it is superior to the modern school of economics. The discussion of "Western" economics is hardly more than a sketchy outline containing inaccuracies both with respect to general principles and to evaluations of specific western economists.

Economic Policy. Although it is difficult to extract from the book any specific positive measure regarding economic policy, the general trend is in the direction of a paternalistic economic nationalism with a return to the traditional pattern in which the village is the economic and military unit. The book also supports the subordination of private enterprise to state political and military policy, but in terms of bureaucratic regimentation which in an industrially undeveloped China would be detrimental to economic progress. No limit is fixed for the scope of state enterprise nor is there any discussion of the role of foreign investment and the place of foreign business in China's industrialization. The observations on the land problem, the crux of China's long-term economic problems, are particularly obscure and evasive; they point to feudal collectivity based on the farmer-soldier system and the pao chia system. There is no attempt to deal with the immediate problems of inflation, price control, industrial production or agrarian reform.

Cultural Trends. Chinese Economic Theory, like China's Destiny, is part of a systematic and deliberate attempt to assert the superiority of Chinese over western culture which is being actively promoted by the Kuomintang.

The Generalissimo's Evolution as a Sage. This book marks the second step in the Generalissimo's evolution as a sage, a venture for which he has neither the background, knowledge nor flair for intellectual or abstract thinking. The result has been his lessened prestige among Chinese intellectuals, who regard his incursions into their field with sardonic aloofness. His intellectual pretensions are regarded as a further manifestation of his messianic complex and of his desire to emulate Dr. Sun Yat-sen.

The Current Status of Chinese Economic Theory. Although the book has not been released for general circulation, it is being used as a textbook of economics in the Central Training Corps classes for the purpose of indoctrinating the Kuomintang "elite" in the field of economics. It thus has a significance out of all proportion to its actual intellectual value. End of Summary.

Mr. Adler has requested that a copy of this despatch, together with its enclosure, be made available to the Treasury Department. The Embassy suggests that the Department may wish to communicate to the Treasury Department a commendation of Mr. Adler for his excellent study of this book and for his valuable assistance in the preparation of the translation of

Chinese

- 3 -

Chinese Economic Theory, which was forwarded to the Department as an enclosure to the Embassy's despatch under reference.

Respectfully yours,

C. E. Gauss

Enclosure:

/ Critique of Chinese Economic Theory
and Mr. Adler's Summary.

Original and hectograph to the Department.

800

PDS:rls

(Enclosure to Despatch No. 2700 dated June 17, 1944)
 (From the American Embassy, Chungking, China.)

CORRECT COPY: RLS

SECRET

THE GENERALISSIMO'S BOOK ON CHINESE ECONOMIC THEORY

Authorship

While the book which was released for limited circulation early in 1943 was published under the Generalissimo's name, he is certainly not its actual author. It is most unlikely that the Generalissimo had ever heard the names of economists such as Marshall, John Bates Clark, Veblen, etc. before he read the manuscript of "Chinese Economic Theory". Its real author is Tao Hsi-sheng, who also wrote "China's Destiny". Tao is a graduate of the Imperial University of Tokyo and was formerly professor of economic history in Peiping National University. Perhaps because he is a Japanese-returned student, he is anti-pathetic both to Westerners and to Western-returned students. He enjoys the academic reputation of being a somewhat crack-brained dilettante and plagiarist. His major opus on Chinese economic history is most uneven and is not highly esteemed in Chinese scholastic circles. In the early thirties he was Wang Ching-wei's right-hand man and he followed his master into the Japanese camp. He returned to the Kuomintang fold in 1940, a move which according to popular report was actuated by his receiving a larger sum from the Central Government than he had from the puppets. His revelation of conditions in puppet Nanking enjoyed a brief succes de scandale.

Tao is reported to be extremely close to the Generalissimo, living as he does with the Generalissimo's most intimate personal secretary, Chen Pu-lei. It is understood that during the period in which the book was being written Tao had a number of long conferences with the Generalissimo to review its contents and report progress. It is also understood that Tao had the assistance of another member of the Generalissimo's brain trust, Chen Pao-ying, especially in compiling the section on western economics. This report is the more plausible as Tao knows even less than Chen Pao-ying about economic theory, his own field being Chinese economic history. Chen is also a Japanese-returned student and like Tao flirted with Marxism when it was fashionable to do so in the Chinese academic world. Chinese economists regard him as a mediocrity.

Ideological Content

The book is definitely fascist in ideological tendency. Its dominant spirit is of feudalism tinged with paternalism, which is precisely the social form Fascism would take in the specific Chinese agrarian context. Its chauvinism, characteristic common to all forms of Fascism, is obvious throughout, being reflected in the bland assumption of the superiority of Chinese culture both in general and in particular over all other cultures; Chinese economics is way ahead of western economics, the Grand Canal is the most famous engineering feat in history, and so on. It is throughout permeated with the glorification of the state as such and with contempt for individuals and individual rights--witness the invariable

placing

The Generalissimo's ghost-writer.

Fascistic and chauvinistic character of book.

placing of individual wants in quotes--which, insofar as they are the reflection of the current Kuomintang attitude, augur ill for official intentions with respect to the future of democracy in China. The writer has only a passing knowledge of Chinese history and is therefore not competent to judge of the accuracy of the book's historical details. Nevertheless, the falsification of Chinese history within the framework of a romantic feudalism is patent even to the non-specialist. The acceptance of emperors whom modern Chinese historians have demonstrated to be mythical as inventors of tools, institutions, and policies is characteristic of this romanticism, and is on a par with the pseudo-ethnographic thesis advanced in "China's Destiny" that Hans, Mongols, Manchus, and Tibetans are members of the same racial stock, being all descendants of the mythical Yellow Emperor, Hwang Ti.

*Falsification
of Chinese
History*

The author's practice of quoting frequently from the classics is worthy of special comment. It is a commonplace of professional historians that persons, events, and writings must in the first place, at least, be taken in their historical context or framework of reference. Thus a maxim on agricultural policy enunciated by a statesman in the 6th century B.C. will make very good sense if placed in the then existing background of feudalism, but it may make no sense at all or only fortuitous good sense if translated to entirely different conditions. Therefore the whole rigmarole of finding quotations from Confucius, Mencius, et al. on the Principle of the People's Livelihood, which in Sun Yat-sen means nothing more or less than the improvement of the lot of the common man, is a game of verbal hairsplitting. This is particularly clear in the attempt to find a solution for, or more accurately perhaps to gloss over, the pressing contemporary agrarian problem, which fundamentally revolves round the landlord-tenant relationship in a society with low levels of agricultural technique, by appeals to the "farmer-soldier" policy of Kwang Chun, the later Han dynasty, and Wang An-shih, and by quotations from the classics. These quotations may contain the most sublime sentiments but they have little relevance as maxims of present-day policy.

Another instructive example of romantic historicism is afforded by the last section of the book on the Ta T'ung or Great Harmony, where the astonishing statement is made that the ancient sages understood all the principles of economic development and were thereby enabled to formulate the highest ultimate goals not only for China but for the world. The ancient sages undoubtedly had shrewd insights into the political mechanics of the world in which they lived and were keenly aware of the ethical problems confronting governments and governed. But through no fault of their own it was impossible for them to visualize the evolution of an industrialized society, let alone the principles behind the evolution of such a society. As for their ultimate ideal, the Ta T'ung was formulated in a feudal state before the unification of China had been achieved under Ch'in Shih Hwang Ti. Consequently it was the expression on the part of the literati of the urge toward national unity and of the need for the breakdown of the particularism characterizing the feudal state or states. They did not and could not look beyond the goal of the emergence of a single Chinese society. In fact the existence of other states and societies on an equal footing with

theirs

theirs was not even known of (the reference to strangers and foreigners in the classics is to Chinese from other feudal Chinese states). Outside Chinese society there existed only hordes of uncivilized barbarians.

Finally, it is significant that Tao singles out for praise and finds a kindred spirit in Othmar Spann, the Austrian clerical Fascist, who sought a historical justification for a Fascist Standestaat in the romantic medievalism of Adam Muller, the early 19th century extreme German nationalist. Spann is deservedly despised by all competent Western economists.

Economic Theory

The discussion of the content of economics is on an extremely low intellectual level. The whole approach is pre-scientific, and there is no sign of any systematic or reasoned analysis nor of any appreciation of economics as an integrated and coherent discipline. While it would be futile to claim that social science as we know it in the West has attained the degree of exactitude or of objectivity of the natural or biological sciences, modern social science is self-consciously critical and aware of the problems with which it is confronted, and has at least made a beginning in their solution. It does not start from an a priori concept of the rational nature of man in general ("rational" in this book does not mean the same thing as it means in modern social science) and from this rational nature deduce the whole content of social science, which is precisely what the most advanced thinkers of the Middle Ages tried to do. Instead it endeavors to describe and in describing to explain in terms of causal connections the social phenomena of existing and previous societies. It is empirical in approach and rational in temper, while the Generalissimo's book is a priori in approach and romantic if not mystical in temper.

The most important points worthy of comment in the book's discussion of economic theory are:

- a. The discussion of economics in general is based on the Chinese characters ching chi, which mean literally management and supply. These characters were first used by the Japanese somewhat inadequately to translate economics into Japanese. (It is not without interest that it is most difficult to translate the name of one of the leading social sciences into an ideographic language without giving a misleading impression of its nature and scope; this fact in itself would appear to render the book's main thesis untenable.) If taken literally, as they are throughout the book, they lead to serious misunderstandings with respect to the method and content of economic science.
- b. The whole idea of a "Chinese" as opposed to a "Western" economics is alien to our tradition that science knows no national frontiers, being much closer to the Nazi Blut und Boden philosophy of the social sciences. A comprehensive science of economics should be able to provide a conceptual framework with which to explain the economic phenomena of China no less than of the United States, or

England

Nationalistic
approach to
economics

England or Russia. While we may talk loosely of American economics or of English economics, we do not mean differing national economic sciences thereby but either the various schools of American and British economists or the specific economic conditions and problems of the designated countries. However, a *façon de parler* permissible in talk or journalistic writing is decidedly not a model for the precise and rigorous thinking we demand of science. Certainly no American would say of Keynes, as no Englishman would say of Viner, what the Generalissimo said of western economists as a whole--that they did not understand Chinese economics or Chinese psychology. Clearly China's economic situation differs from that of say America. But that does not mean that the same methods which economists apply to the United States, taking into account its specific historical and political background (what economists call the institutional framework) which is a part of their empirical data, cannot be fruitfully applied to say China's inflation, again taking the specific background in which it is occurring into account. As a matter of fact, they can and are, and if their fruitfulness is limited it is not because of the accuracy of the diagnosis yielded by an analysis based on them.

- c. Discussion of "Chinese" economics is based largely on scattered comments on economic policy in the classics and histories. These are neither systematic in their content nor precise in their terminology or thinking; witness the identification of culture with people's livelihood and people's livelihood with national defense: ergo culture equals national defense. They in no way justify the thesis either that a Chinese school of economics existed or that if it did it is superior to the prevalent modern school of economics. One could as legitimately infer the existence of a Hebrew school of economics from the sporadic comments on economic policy and from the laws with an economic content in the Old Testament, and still more legitimately infer the existence of a Greek school of economics from the analysis of the nature of value and of problems of economic policy in the writings of Plato and Aristotle. That there was thinking about economic problems on the part of the Chinese, Greeks, and Jews cannot be denied. But it does not follow that such thinking partook of the systematic and analytical character which is the precondition of science. The listing of a few justly celebrated Prime Ministers as exemplars of "Chinese" economics again betrays a lack of understanding of the nature of science.

There is no Chinese school of economics

"Chinese" economics not superior to "Western"

As for the vaunted superiority of "Chinese" over "Western" economics, the case for it rests on an ethical condemnation of "Western" economics as materialistic and profit-seeking (see d. below) and on the claim that the ethical content of the teachings and practice of the so-called great Chinese economists was on a much higher level. The whole universe of discourse of this argument is pre-scientific. The claim that the ethical content of the Chinese economists is loftier than that of modern economists is not substantiated. But even if it were, the author's conclusion would not follow. For while the relations between ethical values, whether implicit or explicit, the social sciences raise some of the most

controversial

controversial questions in modern social science, the ethical content of social science cannot alone be made the ultimate criterion of its scientific validity. Otherwise, there would be no need for any of the social sciences, as the answers to their problems could all be found in the Bible. It is to be feared that the author's claim is made on the same level and rests on the same foundations as his assertion that the Grand Canal is the most famous engineering feat of history, i.e. it is but another example of "Sinocentrism".

- d. The discussion of "Western" or modern economics is anomic and jejune. It is hardly more than a sketchy catalogue and makes no attempt--apart from the ad hoc comments on Marxism to be found in sections III and IV--to analyze the various schools of thought which emerged in the development of economics. It is inaccurate both as to general principles and as to the evaluations of specific Western economists. Thus it is not true that until recently "Western" economics confined itself solely to the theory of value or that it emphasized materialism and profit-seeking. Naturally, because the society in which they lived was predominantly individualistic, Western economists first tried to ascertain the economic laws of an individualist society. But they did not do so to the exclusion of investigations of non-individualistic societies (cf. the famous book in the "Health of the Nations" on the various systems of political economy), or of considerations of the desirability as well as the effects of state intervention in the various spheres of economic life. Moreover, they have consistently tied up the theory of value with the theory of distribution and have generally considered the broadest aspects of economic welfare from the time of Smith onward. Thus the means for increasing economic welfare have not been the pre-occupation of a few heterodox economists or of the welfare school alone, as Tao appears to believe, but have been a general object of investigation and discussion in the broad stream of modern economics.

With respect to the evaluation of individual economists, Adam Smith was not a blind proponent of laissez-faire; in defending the Navigation Acts of the 17th century he said that "defense is of much more importance than opulence". Alfred Marshall was not a mathematical economist. The approach of Veblen and Hobson is worlds apart from that of Spann, and it is a gross insult to both to couple them with him. Neither has anything in common with the turgid feudalism of a Spann or a Tao, and it is meaningless to identify their approach with that of "Chinese" economics. "Chinese" economics as outlined in this book is an amorphous collection of museum pieces from a pre-industrial society, while their analysis, whatever its limitations, is an imminent critique of a highly industrial society which of necessity accepts that society as its starting point. One cannot help arriving at the conclusion that Tao (or was it Chen Pao-ying?) fingered an elementary history of economic theory for his discussion of "Western" economics without bothering to read the actual writings of the major economists. In passing, the lack of any reference

to

Ignorance of
"Western" economics,

to monetary theory, a branch of economics which sheds light on the hyperinflation from which China is suffering, is a lacuna to be put down to ignorance rather than to deliberate suppression.

Economic Policy

As far as the actual content of the economic policies advocated in the book are concerned, because of the vagueness and fuzziness of the writing it is hard to extract any specific positive measures from it. The general trend is in the direction of a paternalistic economic nationalism. Therefore high tariffs, industrialization, and a return to the traditional pattern in which the village is the economic and military unit are advocated. Whether the height of the tariff barriers contemplated would be compatible with the kind of international trade policy based on the spirit of the reciprocal trade agreement program intelligent opinion in the United States is looking forward to is another question. Nor is it easy to see how a program for the industrialization of China can be reconciled with the nostalgia for the past exemplified in the desire to establish the village as the military and economic unit. In fact, there is some room for doubt whether modern industry can be created by a government shot through and through with the mores of thought of an agrarian society. For this reason as well as for the reason that industry was much more highly developed in pre-Bolshevik Russia than in present-day China (including occupied China), the KMT is on weak ground in its appeal to Russia as a precedent for government creation of large-scale heavy industry.

The book also supports the subordination of private enterprise to state political and military policy, but in terms of bureaucratic regimentation which in a China woefully weak in its industrial development would be detrimental to economic progress. Independently of the long-run merits and demerits of private enterprise, you cannot regulate private enterprise before you have a private enterprise to regulate. And if you try to regulate a private enterprise which is still in its swaddling clothes, you will regulate it out of existence, which is precisely what is happening in wartime China. The ambiguity on the role and scope of private enterprise in Sun Yat-sen's writings persists in "Chinese Economic Theory", only more so. But whereas Sun Yat-sen tried, however vaguely and inconsistently, to delimit state enterprise to heavy industry and particularly defense industries and communications--no such delimitations are fixed here. Nor is there any discussion of the role of foreign investment and the place of foreign business in China's industrialization. American economic interests will be hard put to find a clue to the potentialities and status of American trade with and investment in China from this source. The comments on planning are meager and platitudinous.

The observations on the land problem, which is the crux of China's long-term economic problems, are particularly obscure and evasive. The reader is liable to be shocked when he reads in one place that the solution of the land problem is to be sought in the creation of collective farms. A careful study of this passage against the background of the book as a whole reveals that what the author most probably

has

Excessive
Nationalism

Against
Free Enterprise

Federal
solution of
land
problem

has in mind is not the Soviet collective farms, which is very far from answering China's immediate agricultural needs, as even the Chinese Communists would admit. It is the feudal collectivity complete with its misbegotten child, the farmer-soldier system, and with the pao-chia system. All in all, the reliance on the classical pattern and the assertion that the Chinese people can be divided into only two groups, the poor and the poorer, do not bode well for the future of the KMT's agrarian policy. They are scarcely counterbalanced by the talk of the undesirability of the concentration of landownership, especially as the increasing concentration brought about by the war and the inflation are not even mentioned. The reader will also be surprised by the absence of any reference to the urgent economic problems confronting China at the present time. Nowhere is any mention made of the inflation, price control, current industrial production, or of agrarian reform now. The two latter are discussed with respect to the glorious past or the still more glorious future but never with respect to the grim present. For this reason the book gives the impression of being an essay in escapism.

I ignores all current economic problems

"Chinese Economic Theory" as Reflection of Current Cultural Trends

"Chinese Economic Theory" like "China's Destiny" is part of a systematic deliberate attempt to assert the superiority of Chinese over Western culture which is being actively promoted by the Kuomintang. Tao is its chief theorist, but its most dangerous and lively protagonist is Chen Li-fu. In his capacity as Minister of Education, the latter has devoted considerable attention to its propagation; incidentally he has tried, and with a great degree of success, to purge the social science departments of the various universities of any taint of Western liberalism. This campaign of denigration of Western and glorification of Chinese culture concentrates on the specifically feudal virtues of ancient China and provides another example of the current phase of morbid and mordant nationalism, which is the main--an unkind critic might add and sole--positive plank in the Kuomintang program. This form of nationalism, if persisted in, will hardly be conducive to whole-hearted international cooperation on China's part in the post-war period. It has already taken a number of bizarre forms in the cultural field.

Campaign of Attack on Western culture

The participants in this campaign of cultural chauvinism stick to assertion and reiteration and do not bother to essay proofs of truly historically untenable theses. They are adept at name-calling, dismissing Western culture as materialistic and gloating over all but the purely technical features of Western civilization. It was not by accident but by design that Chen Li-fu has sent Chinese students to the United States almost entirely for the study of technical subjects to the exclusion of the humanities and that he has likewise invited foreign technical experts only to visit China under the cultural relations program. The greatest Chinese scholars, who are much more deeply imbued with the best of the rich Chinese culture than the Chens and Taos, have nothing but contempt for the distortions of Chinese culture and civilization perpetrated by its so-called proponents and for their belittling of the West. Thus Hu Shih, with his admittedly unrivalled knowledge of both the Chinese classics and Chinese philosophy, would never lend his name to the cheap and brazen superciliousness toward the West and the tawdry nationalism which Lin Yutang

1. Registration and organization of the population into small units which are collectively responsible for the political conduct of the individuals members. The Japanese have adopted it in North China. Classes

passes off as Chinese culture. Wu Shih, while legitimately proud of his own heritage, would be the first to confess his intellectual debt to the West.

The Generalissimo's Evolution as Sage

The publication of "Chinese Economic Theory" in the Generalissimo's name marks the second step in his conscious-- or better self-conscious--evolution as a sage. The Generalissimo now takes himself seriously as a thinker and teacher, not only for China, as is reflected in "China's Destiny", but also for the world, as is reflected in the last section of "Chinese Economic Theory". The Generalissimo as a man of action is decidedly a force to be reckoned with, no matter what one's evaluation of his policies may happen to be. But the Generalissimo as an intellectual is a bird of a different feather. He has neither the background, nor knowledge, nor flair for intellectual work or abstract thinking, and the essays he has ventured in this field have not added to his prestige in China, particularly as he has shown such poor taste in choosing ghost-writers. Chinese intellectuals regard his incursions into their territory with at best silent resignation and at worst sardonic aloofness. He has encountered additional difficulties in view of the special position and traditions of scholarship in China.

The Generalissimo
is not an intellectual
leader

Some well-informed Chinese and foreigners regard the Generalissimo's intellectual balloons as a further manifestation of his messianic complex. In addition the example of Sun Yat-sen undoubtedly served as a stimulus to him in his assumption of the role of author. But while Sun Yat-sen was a genuine intellectual, who throughout his life continued to read widely and to maintain his interest in ideas, the Generalissimo has no such background. Sun Yat-sen, as his writings testify, had drunk deeply from the springs of Western liberalism, particularly its political theory. While he was not a great original thinker and even tended to be superficial, he handled ideas with both facility and familiarity and never gave the impression that he was moving out of his element in discussing them.

Sun Yat-sen was
a genuine liberal

The question of the relation of the ideological content of the writings to which the Generalissimo has lent his name to the ideological content of Dr. Sun's books and lectures is highly controversial, tied up as it is with current burning political issues. Dr. Sun wrote over a long period of years and never attempted a systematic and articulated exposition of his ideas. It is not surprising, therefore, that his writings contain inconsistencies and that opposing schools and parties have no difficulty in finding textual corroborations of widely divergent positions in the Master. Be that as it may, the premises of Dr. Sun's thinking are drawn primarily from the great Western liberal tradition for which the Generalissimo and his intellectual assistants have no use; it is not open to question that Dr. Sun was much more deeply influenced by this tradition than by the Chinese classics. Thus Dr. Sun is himself an outstanding--if not the outstanding--example of the beneficent influence of Western culture and its values on China. As such, he is the most eloquent refutation of the current Kuomintang thesis of the autonomy of Chinese culture from and its superiority over Western culture.

Current....

Current Status of "Chinese Economic Theory"

The book is being used as a textbook of economics in the Central Training Institute classes but has not been released for general circulation. Its purpose thus appears to be the indoctrination of the elite and not the general dissemination of its ideas. Its withholding from unrestricted publication would seem to betray a fear of criticism on the part of internal and western public opinion, a fear that the event might prove to be only too well-founded. For its publication would scarcely add to the reputation of either its actual or ostensible author. Nevertheless, the fact that the book is published in the Generalissimo's name and that it is used as a textbook in the highest Party training school is sufficient indication that it is considered the official exposition of the Kuomintang's economic views. As such it has a significance out of all proportion to its intellectual merits.

*The book
is now a
Kuomintang
textbook*

Summary of "Chinese Economic Theory"

(This summary does the book more than justice by covering up its paucity of thought and lack of coherence in reasoning, by skipping the platitudes and frequent repetition of copybook quotations from the classics, and by generally tightening up its presentation.)

I. The Scope of Chinese Economics

The neglect of Chinese economics by Chinese economists in the past is the result of the predominant influence of Western economics, which in turn was one of the products of the unequal treaties. The abolition of these treaties should occasion a much to-be desired return to the study of Chinese economics in China on the principles of which China developed and grew strong. This development should be hastened by world war II which is causing profound changes in world economy. The moment is thus doubly opportune for a re-examination of Western and Chinese economics.

The basic principles of Chinese economics are the management of human activities and the adjustment of things (i.e. commodities) and the study of national planning and the people's livelihood. Chinese economics starts not from individual wants but from the rational nature of man. It is not atomistic but regards the totality of society as a single integral entity. Thus it is much broader than Western economics both in definition and scope. While according to Western economics there are three factors of production, namely land, labor and capital, Chinese economics, starting as it does from the rational nature of man, recognizes only manpower and land as factors of production. Labor as a factor of production includes both physical and mental labor; money is not a factor of production. Western economics merely studies private enterprises and the transactions of the market place. But Chinese economics, recognizing that the highest and greatest human grouping is the nation-society, has a much wider perspective, and identifies culture with people's livelihood and people's livelihood with national defense.

According to Chinese economics, in order to exploit manpower and utilize things, it is first of all necessary to know

their

their nature. Therefore we must study first the principles of man (what it is the fashion in certain indigenous Chinese intellectual circles to call humanism) and only then study the principles of things (what it is the fashion in the same circles to call western materialism). To understand and utilize man's nature it is essential first to maintain the inherited national ethics and restore its former wisdom and second to catch up with and overtake Western technical developments. In order to attain the objective of Chinese economics, which is the people's livelihood or the support and protection of the people, China must utilize the minimum time and effort to develop its labor and resources so as to maximize its livelihood and defense.

II. Distinction between Chinese and Western Economics

The economic theories of ancient China were varied and flexible. From the various classics it is clear that the Chou dynasty based itself on the well-land system,⁽¹⁾ under which the unification of education, the army and conscription system, and landownership entailed the welding of culture, national defense, and the people's livelihood into a single all-embracing institution.

There are two schools of Chinese economics, the Confucian and Legalist. Both agree on the fundamental importance of agriculture but differ on commercial policy, the former favoring laissez-faire and the latter interventionism and control. After the later Han dynasty the Confucianists became dominant, but two different trends now emerge within Confucianism itself. The first concentrated on the original nature of man and tended to be introspective in method, while the second was predominantly utilitarian in its approach. But all the greater Chinese economists combine both tendencies, which imply supporting the people on the one hand and protecting them on the other. Their sources and objectives are the same. As early as 600 B.C. China produced a great economist in Kwan Chung (the premier of Chi), whose economic policies were to achieve price stabilization by stabilizing the prices of gold and grain, to institute government monopolies of salt, iron, and other commodities, to control foreign trade, and to organize the farmers and give them military training--i.e. to identify national defense with people's livelihood. Another great Chinese economist was Wang An-shih (premier during the Sung dynasty), who based his economic doctrines on Confucius and Mencius. His policy was to increase production by preventing further concentration of landownership, by government provision of farm capital, by anti-monopoly measures with respect to domestic trade, and by promotion of foreign trade. He supported the conscription of farmers and instituted the paq chia system.⁽²⁾

(1) So-called because of the division of land into nine portions on a plan similar to the Chinese character for well (). The outer eight sections were worked independently by eight families, who jointly shared the labor of the ninth section, the product of which went to the State.

(2) The registration and organization of the population in small units: 10 families are 1 chia, 10 chia are 1 lien pao or hsiang. It is used as the basis for conscripting soldiers and labor, for maintaining peace and order, and for taxation. The Japanese have also adopted it in China.

He is a shining example of the flexibility of Chinese economics, as he departed from the letter of the orthodox Confucian tradition, adapting it to the changed conditions of the times.

It should be noted that none of the great Chinese economists started from the wants of different individuals but from the nature of man in general, and their objective is always the national welfare and livelihood. All analyze economic institutions and systems of control for promoting these ends, and all focus their attention on the land question, discussing the relations between landlord and tenant and between agriculture and commerce. In this analysis they tackle the problems of the concentration of landownership, the broader evils of which it is the objective of Kuomintang policy to eradicate, and of the monopolistic tendencies of merchants.

With the Industrial Revolution of the 18th and 19th centuries, the individualist laissez-faire was led in Germany by Friedrich List who advocated nationalism and protection. In the 20th century the Austrian Spann went still further in proposing autarchy. While the roots of American economics are the same as British, the former tends in the direction of protection as opposed to the latter's free trade. Since World War I a trend toward planned economy has emerged especially in America, Smithian laissez-faire having survived only in England. Ricardo's theory of rent exercised greater influence in the 19th century than Smith's "Wealth of the Nations". Among the Marxists a division arose between Lenin and Kautsky.

Western economic theories though differing in detail all start from human wants and all concentrate on the theory of value, the most modern version of which is the marginal utility theory as opposed to the classical and Marxian labor theory of value. Since the beginning of the 20th century, Western industrial and commercial organization has moved from free competition to monopoly and concentration, bringing about corresponding changes in economic theory. Thus Veblen, Hobson, Spann, and Lester Ward emphasized social welfare instead of value theory. With this abandonment of selfish individualism and materialism Western economics began to come closer to the traditional Chinese economics, a tendency which may be expected to become more powerful after World War II.

III. Scope of Economics of Ancient China

The principles of Chinese economics constituted the basis of activity of the great men of the past, and to understand these principles we must study the constructive activities of these great men. Their first principle was that it is the basic duty of the state to support the people's wants. Personal "wants" must be controlled if social conflict is to be avoided; mind should control the appetites. Therefore government should be organized to support the people's wants on the one hand and to restrict them on the other. From the standpoint of meeting the people's wants, with respect to landholding the economic view current in ancient China was that everybody should have land to cultivate. With respect to water conservancy, irrigation is a state function; there has been a historical conflict between the use of water for irrigation and for transportation and between fishermen and farmers. The concept of an over-normal granary is opposed to

the

the principle of free trade and originated and developed in China. Communications are also a state function; the Grand canal is still the most famous engineering work in the world. The study of climate and soil was also stressed. In all these respects Chinese economics antedated Western. From the standpoint of restricting the people's wants, Chinese economics advocated the equalization of property, though it should be noted that, as history shows, attempts to enforce compulsory equalization are bound to fail, the equalization of taxes, and the equalization of market supplies by transport. It also recognized the need for instituting monopolies of such essential commodities as iron, salt, and tea, and for government provision of farm loans and regulation of interest rates.

The second principle of the great Chinese economists was that it is the duty of the Government to protect the people. The ancient land system was ipso facto a conscription system. The productive unit was the military unit, and the integration of the military and agricultural systems--i.e. of national defense and people's livelihood--was a necessity which was clearly realized. When this integration was achieved China was strong, when not she was weak. During the Han dynasty the fact that soldiers were of necessity farmers enabled the government to be very successful in military conquests. The separation of national defense from the people's livelihood in the succeeding centuries resulted in the division of the empire. With the disappearance of the farmer-soldier system and the adoption of the hired soldier system from the time of the Sung dynasty, the nation was inevitably weakened and was subject to constant aggression from without. Even so some military success was attained, e.g. by Wang An-shih and Tseng Kuo-fan, when a farmer-soldier system was adopted. As modern wars are fought by the entire people, it is an imperative necessity for China to reinstate the system of combining soldiers and farmers.

IV. The Economic Principles of the Principle of the People's Livelihood.

There are three fundamental principles of the principle of the people's livelihood. The first is that economics is for supporting the people; the aim of Chinese economics is not material production and profits but the people's livelihood. The second is that the economy must be planned not on a communistic or capitalistic basis with their inevitable class conflicts but for the nationalization of capital though not for the enjoyment thereof. The third is the unity of people's livelihood and national defense.

Both laissez-faire and Marxist economics suffer from serious defects. Laissez-faire economics advocates the industrialization of China according to the laissez-faire policy and free trade doctrine of western Europe. Owing to the second Industrial Revolution, i.e. the growth of monopolies and trusts, there is now no need for laissez-faire economics. As China is backward industrially, she must adopt protection in her foreign trade and planning in her industrial production. China's private capital will be too weak and insufficient to compete with foreign trusts and government-owned

enterprises

- 13 -

enterprises. Marxists advocate the class struggle and the communist organization of society. But class struggle is a disease and Marx was only a social pathologist. The Marxist labor theory of value is incorrect. The largest scale wars are those not between classes but between nations. National defeat entails the worsening of the lot of both the laborer and the capitalist. China consists of the **poor** and the poorer, between whom there is no real class struggle. With the development of national industries and the control of private capital, there will be no real motive for class struggle. The unequal distribution of land in China is due not to feudalism but to industrial and commercial economics. The solution of the land problem, i.e. by equalization of land rights, is to be sought not by force, as the Marxists advocate, but in the sphere of agricultural-industrial and agricultural-commercial relations.

Dr. Sun Yat-sen's master "Industrial Plan" forms the basis of the national defense economic plans of China, in which defense and livelihood are combined. Its fundamental idea is to formulate measures for China's economic development with her land area as a base and with prosperous sea harbors as outlets for her exports. Communications, agriculture, and mining are considered the basic enterprises. The need for equal distribution of population is stressed. Industry must be diffused and not concentrated in the coastal areas. The equal economic development of all areas is desirable.

V. Future Economic Ideals.

So far only the highest current ideals of Chinese economics have been discussed. The ancient sages of China understood all the principles of economic development and formulated the highest ultimate ideals in the conception of a world of "Great Harmony", in which the principle of the people's livelihood will be fulfilled, and in which there will be no economic aggression and no wars. The present war will bring us nearer to the attainment of this ideal.

CABLE TO HABANA

Refer to your A-1551 July 17 and previous communications regarding refugee children.

The American Joint Distribution Committee would make all required funds for maintenance of 1,000 children available to Habana Joint Relief Committee with the approval and authorization of the Treasury Department. The transfer would be effected through established commercial banking facilities.

In view of the Hungarian situation and the recent statement by Admiral Horthy that his government would grant exit permits to, and suspend deportations of, all Jewish children for whom havens may be provided outside Hungary, would you in your conversations with appropriate Cuban officials endeavor to obtain the acceptance in principle by the Cuban Government of 1000 refugee children from either France or Hungary.

You may assure those officials that no detailed plans have as yet been developed for actual immigration of refugee children into Cuba. Should such plans become necessary at a later date, they will not (repeat not) be developed without previous consultation with the Cuban Government.

2:30 p.m.
August 14, 1944

MStandish:tah 8-11-44

A-1412

August 14, 1944

5:05 p.m.

AMEMBASSY,

SECRET

HABANA.

**FOR THE SECRET AND CONFIDENTIAL INFORMATION OF THE
AMBASSADOR.**

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HULL

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8/14/44

CCA

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN EMBASSY, LONDON
TO: Secretary of State, Washington
DATED: August 14, 1944
NUMBER: 6521

SECRET

See Department's telegram 5791 of July 24, midnight; Embassy's telegram 6292 of August 5, 10 p.m.; Department's telegram 6097 of August 2, midnight; Embassy's telegram 6005 of July 28, 5 p.m.

From Heathcote Smith, a copy of telegram number 9, dated the fourth of August concerning Papal intervention on behalf of non-Italian refugees in Northern Italy has been furnished the Embassy by IGC. The following is the gist of this communication: Taylor had an audience with the Pope and supplied him with the data in all the wires which were exchanged with Washington on this question. On the second of August Heathcote Smith saw the Pope who will ask the German Ambassador to try to stop additional deportations and to supply the Vatican with figures on the numbers of Jews and others still awaiting deportation in Northern Italy. It will also be suggested by the Pope that the Axis should allow these people to reach some asylum. The above petitions will be made as though the Pope himself originated them. To Heathcote Smith the Pope made the statement that neither his conscience nor history would forgive him if he failed to make this attempt. A report from the Papal Nuncio in Switzerland reached Heathcote Smith to the effect that near Modena in a concentration camp fifty Jews were murdered the thirty first of July by Axis officials.

This wire was communicated to the Foreign Office by IGC AND The eleventh of August IGC received the following telegram the substance of which is as follows: (In paraphrase) "From Heathcote Smith's telegram number 9 dated August four it is noted that the Pope will take up with the German officials the question of internees in the north of Italy.

Meanwhile His Majesty's High Commissioner in Rome has been requested by us to advise us as to what accommodation, if any, may be found for these refugees in freed Italy, but we are aware that there our resources are greatly strained and our military officials insist that there is a definite limit to the number of refugees which can be brought in.

Obviously Heathcote

- 2 -

Obviously Heathcote Smith is at the present time not too well informed concerning the problems which we are facing. The likelihood of a substantial influx of refugees from the Balkans confronts us; in addition, we are encountering considerable difficulties in connection with arrangements for supplies and medical personnel. Until a solution can be found for these problems, the military officials are not apt to agree to the maintenance of many thousands of refugees in Italy.

You will be advised of the reply of Sir Neol Charles which I hope will be favorable, but as I have pointed out, there are many obstacles to be overcome." In its telegram of today the IGC summed up the whole situation to Heathcote Smith, of which the following is a paraphrase.

"The eighth of August your telegram number nine dated August four concerning the rescue of internees who are threatened with deportation was received. We have received your report of July eighteen and your telegram dated July fifteen, the twenty fifth and the nineteenth of July respectively, but until the thirty first of July your July fourteen telegram was not received. On the twenty sixth of July we proposed to the British and American Governments that they should ask for the intervention of the Vatican for the relief of foreign civilian refugees who are detained in northern Italy giving assurance that they would make arrangements for transportation to southern Italy or elsewhere and that either through IGC or in some other way they would make arrangements for maintenance. On the twenty ninth of July the American Government supplied us with a message which they repeated to Taylor and they further advised us on the fifth of August that our proposal was found to be acceptable by them. We had, in accordance with their suggestion, a three cornered discussion with representatives of the American Embassy and the Foreign Office and to both Governments copies of your latest telegram have been furnished. From the Foreign Office we today received a letter stating that Charles has been requested to make a report as to what accommodations if any may be available in Italy south of the battle line. The possibility of a large influx from the Balkans simultaneously with difficulties concerning supplies and medical personnel are emphasized by the Foreign Office. By the way of the American Embassy, British opinion is being transmitted to Washington. On your successful negotiations with the Pope we extend our congratulations to Taylor and you. Of additional developments we will advise you.

WINANT

DCR:EMS:mg

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN EMBASSY, LONDON
TO: Secretary of State, Washington
DATED: August 14, 1944
NUMBER: 6537

SECRET

It is assumed by the Embassy that additional instructions will be sent Ankara by the Department. See message 46 to Ankara from the Embassy, repeated to the Department as number 6040 of the twenty ninth of July.

From Ankara the message below (in paraphrase) has been received:

August 8, noon, number 34.

With my British colleague, I have discussed the matter of the evacuation of Jewish children under the age of ten years from Hungary which was the subject of your twenty ninth of July message number 46. In light of the fact that the Swedish Minister has advised us that the Government of Sweden has announced that it is ready to receive Jewish children from Hungary in Sweden, we concur that no action should be taken awaiting additional instructions. This decision has already been reported to London by the British Ambassador in reply to instructions in the matter which he had received from there.

The following is for your information. The Government of Turkey has agreed to issue instructions to their representatives in Hungary giving them authorization to issue transit visas to all refugees possessing American immigration visas or Palestine certificates issued in 1941, on or after the first of July.

WINANT

DCR:MLG

8-17-44

Miss Chauncey (For the Sec'y), Abrahamson, Cohn, DuBois, Friedman, Hodel Laughlin, Lesser, Mann, Mannon, McCormack, Cable Control Files.

AIRGRAM

FROM
Tegucigalpa, Honduras
A-268
August 14, 1944
Rec'd August 18, 3 p.m.

SECRET

SECSTATE

WASHINGTON

A-268, August 14, 3 p.m.

Department's secret circular airgram of August 3, 1944, 11:00 a.m. entitled "Safeguarding of Lives of American Republics Document Holders".

Following is a free translation of Note No. 253 dated August 10, 1944 from the Honduran Minister for Foreign Affairs:

"Very attentively and through the worthy medium of Your Excellency, I request the Government of the Swiss Confederation, if it so pleases, to take charge of Honduran interests in Hungary, in the same form in which it has taken charge in Germany and in the countries occupied by Germany.

"I avail myself of this opportunity to again thank the Government of Switzerland for the way in which it is carrying out the representation of Honduran interests in the countries referred to above.

"I renew to Your Excellency the assurances of my highest and most distinguished consideration."

It is believed that the terms of the above communication are sufficiently broad to cover the protective matters in which the Department is interested.

ERWIN

704/711.5 SC
JBF:mb

Transmitted via courier pouch closing August 14, 1944, 5 p.m.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Consulate General, Jerusalem
 TO: Secretary of State, Washington
 DATED: August 14, 1944
 NUMBER: 113

CONFIDENTIAL

FOLLOWING FOR WAR REFUGEE BOARD FOR LEON KEBOWITZKI, WORLD JEWISH CONGRESS, NEW YORK, FROM JACOB VAN BLITZ.

We refer herewith to your telegram of August 2, 1944. As regards

As regards Bergen Belsen near Celle in Hannover, you are informed that there were between 3500 and 4000 Jews in this camp at the end of June; approximately 3000 Dutch, about 500 stateless mostly formerly German Jews living in Holland, about 200 Tripoli Taniar Jews, and about 100 Greek Jews.

Approximately 1000 have Palestinian certificates, but I do not know how many held passports for Latin American countries. There were a further 200 people belonging to diamond trade including their families.

A list of those remaining at this camp has been prepared by Irgunolei Holland Pobjacseix Jerusalem based on information obtained from people who came with us, but a list of those deceased and deported cannot be given by me.

The situation as regards food is not good and sufficient quantities of food are not received. The sanitary situation is very primitive. This camp was not visited by delegates of Intergross or German Red Cross. There were no deportations to Poland until our departure at the end of June.

Individual food packages and collective shipments of food did not reach the camp and in only a few cases did people in this camp receive food parcels from private sources. It is extremely important that help be given quickly. A list of names of persons in this camp was supplied by Irgunolei Holland to Niteles who is proceeding to United States very soon, to representatives of Joint Distribution Committee, and to Schwartz who took it to Lisbon.

PINKERTON

MJB-443
Distribution of true
reading only by special
arrangement. (SECRET W).

Lisbon

Dated August 14, 1944

Rec'd 3:09 p.m.

Secretary of State,
Washington.

2509, August 14, 1 p.m.

FROM DEXTER FOR PEHLE.

This is ^{WRB} WRB 154.

In view imminent liberation sections France with considerable refugee population, it is assumed that WRB has given consideration to possible incursion large numbers, hopeful emigration United States, into Iberian Peninsula. Seems advisable that WRB make policy decision soon regarding refugees in France whether stateless, Spanish (of whom there are large numbers) or Allied nationals. Question wisdom of allowing refugees leaving liberated areas unless there are compelling military or supply reasons. Tentatively suggest that WRB send representative into France for study problem cooperatively with military officials and French authorities earliest possible moment following liberation. Later problem may be UNRRA's or Intergovernmental Committee's but for immediate future think WRB best equipped to handle. For guidance here would appreciate comments and instructions.

NORWEB

RNK RR

LFG-415
Distribution of true
reading only by special
arrangement. (SECRET W)

Lisbon

Dated August 14, 1944

Rec'd 1:02 p.m.

Secretary of State,
Washington.

2510, August 14, 1 p.m.

Working with British Embassy toward joint request for Portuguese action regarding reception Hungarian Jews (REURTEL 2211, August 7). This WRB 155. British have sent telegram Foreign Office and expect definite instructions this week.

NORWEB

WMB JJM

EMBASSY OF THE
UNITED STATES OF AMERICA

CONFIDENTIAL

No. 2902

Madrid, Spain, August 14, 1944.

Subjects: Transmitting copy of Note Verbale from the Ministry of Foreign Affairs concerning the granting of visa facilities to fifteen hundred Jewish persons in Hungary.

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

Sir:

- With reference to the Embassy's despatch No. 2791 of July 25, 1944 transmitting to the Department, *inter alia*, a copy of the Embassy's Note Verbale No. 2814 of that date to the Ministry of Foreign Affairs supporting the request of the British Embassy that Spanish visas be granted to a group of fifteen hundred Jewish persons in Hungary whom it is desired be permitted to cross Spanish territory in transit to an assured destination overseas, I have the honor to enclose a copy and translation of the Ministry's Note Verbale No. 1 (San Sebastian) of August 2, 1944 in which it is stated that, as reported in the Embassy's telegram no. 2623 of July 28, 1944, 7 p.m. to the Department, the Spanish Ministry in Budapest has been authorized to issue the requested visas and also to intercede with the appropriate Hungarian and German authorities in an attempt to obtain permission for the departure of these persons from Hungary, together with a copy of the Embassy's Note Verbale No. 2916 of this date in acknowledgment thereof.
- 3/ There is also transmitted herewith a copy of the British Embassy's Note Verbale No. 985 of August 4, 1944 to which reference is made in the latter enclosure.

Respectfully yours,

W. Walton Butterworth
Charge d'Affaires ad interim

Enclosures:

- 1/ Note Verbale No. 1, August 2, 1944
2/ Note Verbale No. 2916, August 14, 1944
3/ Note Verbale No. 985, August 4, 1944

File No. 800

HRB/jk

Single copy to Department (for Ozalid machine)

Copy to Lisbon.

TRANSLATION

No. 1

NOTE VERBALE

The Ministry of Foreign Affairs presents its compliments to the Embassy of the United States of America and in reply to the latter's Note Verbale No. 2814 of July 25 last, in which the intervention of the Spanish Government was requested on behalf of a group of 1,500 Jews at present in Hungary, with the object of obtaining their evacuation through Spain, has the honor to advise the Embassy that appropriate instructions have already been sent to the Spanish Minister in Budapest in order that he may do everything possible to facilitate the requested evacuation, granting the necessary visas for entry into Spain and attempting to overcome any resistance on the part of the Hungarian authorities and the German Authorities of Occupation to the departure of these Jews from the aforementioned Hungarian territory.

Dated at San Sebastian,
August 2, 1944.

NWB/ama/jk

Enclosure No. 2 to despatch No.
2902, August 14, 1944, from
Embassy, Madrid, Spain.

COPY

No. 2916

NOTE VERBALE

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs and, in acknowledgment of the latter's Note Verbale No. 1 (San Sebastian) of August 2, 1944, has the honor to express its gratitude and that of its Government for the action taken by the Spanish Government in authorizing the issuance of Spanish visas to the fifteen hundred Jewish persons in Hungary who were the subject of the Embassy's Note Verbale No. 2814 of July 25, 1944, and in instructing the Spanish Minister in Budapest to intercede with the Hungarian and German authorities for the purpose of facilitating their departure from Hungary.

The Embassy is confident that, in order that the kind assistance of the Spanish Government in this matter not be rendered fruitless, the Ministry will see fit to take the further steps requested by the British Embassy in its Note Verbale No. 985 of August 4, 1944 to the Ministry, in order to ensure the arrival on Spanish territory of the persons in question, the majority of whom appear now to have been transferred to Beilstein-Bergau in Germany.

Madrid, August 14, 1944.

Enclosure No. 3 to despatch
No. 2902, August 14, 1944 from
Embassy, Madrid, Spain.

COPY

No. 985

His Majesty's Embassy present their compliments to the Ministry of Foreign Affairs, and have the honour to acknowledge, with thanks, the receipt of their Note No. 553 (B-1 15-2) of July 22nd, and to thank the Spanish Government for their action in having sent instructions to Budapest to facilitate the journey to Spain of the 1,500 Jewish persons now in Hungary who will be admitted as refugees into Palestine. The Embassy would like also to express their great appreciation of the additional instructions sent to Budapest, asking the Spanish Minister to use his influence with the Hungarian and German authorities to obtain the departure of these people.

The Embassy have now learnt that of the 1,500 refugees in question, the majority have already left Hungary, that 1,200 are at the Boleson-Bergen camp, and that a first group of 500 people is expected to reach the Spanish border during the next few weeks. In view, therefore, of the fact that these people will not have been able to have their visas issued in Budapest, the Embassy has the honour to request that the Spanish Government will be so good as to send the necessary instructions to the Spanish authorities on the Franco-Spanish frontier, especially in Catalonia (where they are most likely to arrive), authorising the entry of these people even if they arrive without visas, provided they can identify themselves as being members of the group forwarded by Mr. Keestner, the representative of the Jewish Committee at Budapest for their onward journey to Palestine.

The Embassy are aware of the unusual nature of this request, but have the honour to put it forward in the hope that the Ministry, in view of the exceptional circumstances now prevailing, will be able to issue the necessary instructions in order to further this humanitarian project.

BRITISH EMBASSY,

MADRID.

4th August, 1944.

JK

EMBASSY OF THE
UNITED STATES OF AMERICA

CONFIDENTIAL

No. 2905

Madrid, Spain, August 14, 1944.

Subject: Transmitting copies of Embassy's Notes Verbales to the Ministry of Foreign Affairs requesting facilities for transit through Spain of Jewish refugees proceeding from Hungary.

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

Sir:

1/ I have the honor to enclose copies of the Embassy's Notes Verbales
2/ No. 2907 and No. 2908 of August 11, 1944, which have been addressed to the Ministry of Foreign Affairs in accordance with instructions contained in the Department's telegrams no. 2126 of July 28, 1944, 10 p.m. and no. 2194 of August 7, 6 p.m. requesting respectively that the Spanish Government permit the entry into Spain of persons released from Hungary in pursuance of the recent decision of the Hungarian authorities to allow the departure from that country of Jewish persons in possession of entry permits entitling them to admission to any other country, and that, in particular, it permit the entry, in transit to further destinations outside of Spain, of such persons to whom American immigration visas were issued on or after July 1, 1941 but who, by reason of transportation difficulties and the advent of war, have not been able to make effective use of such visas.

The British Embassy in Madrid has not as yet received parallel instructions and has consequently been unable to concert with this Embassy in joint representations on this subject.

Respectfully yours,

/s/ W. W. Butterworth
W. Walton Butterworth
Charge d'Affaires ad interim

cc: Miss Channing (For the Sec'y's), Abrahamson, Akzin, Conn, Drury, Eubank, Friedman, Gorton, Hodel, Macdonald, Lesser, Linton, Marks, McGowan, Pohl, Sargoy, Stankard, Weinstein.

- 2 -

Enclosures:

- 1/ Note Verbale No. 2907,
August 11, 1944.
- 2/ Note Verbale No. 2908,
August 11, 1944.

File No.: 800**NWB/jk**

Single copy to Department
(for Ozalid machine)
Copy to Embassy, Lisbon.
Copy to Embassy, London.

Enclosure No. 1 to despatch No.
2905, August 14, 1944 from
Embassy, Madrid, Spain.

COPY

NOTE VERBALE

No. 2907

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs and has the honor to inform the latter that the United States Government has been informed, through official neutral channels, that the Hungarian Government has authorized the departure from Hungary of all Jewish persons in possession of entry permits entitling them to admission into any other country, including Palestine, and that the German Government is disposed to permit the transit of such persons through territories under its control.

In order that full advantage may be taken of this decision on the part of the Hungarian Government and that no possible avenue of escape may be denied to these unfortunate persons, the Embassy has been instructed by its Government, pursuant to the latter's urgent interest in the rescue of oppressed and persecuted minorities from German-controlled areas of Europe, to express the hope that the Spanish Government will convey to the appropriate Hungarian authorities at the earliest possible moment an expression of its willingness to receive on Spanish territory Jewish refugees proceeding from Hungary, at the same time instructing its representatives in Budapest accordingly, it being understood that every effort will be made by the United States Government, in cooperation with the British Government, to arrange the prompt onward transportation of such persons from Spain to havens of refuge in United Nations territory and to contribute to their maintenance and support in whatever manner the Spanish Government may deem desirable during the period of their stay on Spanish soil.

The United States Government has taken grateful cognizance of the steps which the Spanish Government has already taken toward the rescue of Jewish refugees from Hungary and other German-controlled areas of Europe, and is confident that, motivated by the same high principles of humanity, that Government will continue to devote to this humanitarian task its active support and willing cooperation.

NWB/jk

Enclosure No. 2 to despatch No.
2905, August 14, 1944 from
Embassy, Madrid, Spain.

COPY

NOTE VERBALE

No. 2908

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs and, with reference to its immediately preceding Note Verbale No. 2907 of this date requesting the cooperation of the Spanish Government in facilitating the entry into Spain, in transit to further destinations, of Jewish refugees released from Hungary pursuant to the decision of the appropriate Hungarian authorities to permit the departure from that country of all Jewish persons in possession of entry permits entitling them to admission into any other country, has the honor to inform the Ministry that there are known to be among these refugees a considerable number of persons to whom United States Immigration visas were issued on or after July 1, 1941, the date upon which existing visa procedures took effect, but who, by reason of transportation difficulties and the advent of war, have been unable to make effective use of such visas.

In the belief that the lives of many of these persons might be saved by reason of the issuance of newly-validated visas, consular officers of the United States in Spain and other neutral countries have been authorized, subject to certain specified conditions, to issue to such persons upon personal application visas valid for immediate entry into the United States, and, in order that the latter may not be denied this opportunity of saving themselves from threatened persecution and possible death at the hands of Nazi authorities, the Embassy would request, on instructions from its Government, that the Spanish Government consent to permit the entry into Spain without reference to customary visa requirements, of all such persons to whom United States Immigration visas were issued on or after the date in question, and that it make known this consent to the appropriate German, Hungarian and other German-satellite authorities.

On its part, the Embassy can give to the Ministry the assurance of its Government that any such persons so admitted into Spain will be adequately maintained while on Spanish soil and accompanied with the least possible delay, and that any who may be found not to be qualified for admission into the United States will be removed from Spain as promptly as possible to other destinations to be arranged by the United States Government.

CONFIDENTIAL

AIRGRAM

FROM
Stockholm
Dated: August 14, 1944
Rec'd. August 28, 1 p.m.

Secretary of State,
Washington.
A-721, August 14, 1 p.m. Latvia (Present conditions in
Latvia as reported by
refugees).

Reference is made to the Legation's various telegrams
and airgrams (i.e. telegrams no. 2980 and 3049) reporting
the arrival in Sweden of considerable numbers of Baltic
refugees.

The following is a report received on August 10, 1944
from Baltic refugees in Stockholm:

"In Kalsnava (a rural parish in eastern Latvia) the
Soviets murdered all men, women and children on July 12,
1944, who had failed to flee. This is stated by a farmer,
Jazeps K. from Kalsnava, who managed to escape, but whose
wife and three children were murdered. One person who
managed to escape became insane as a result of what he had
seen. It is reported that the Soviets pour kerosene on the
bodies of the persons they have murdered and burn them in
order to leave no traces of their crimes.

"A large -scale evacuation of German citizens is taking
place in Latvia. In all ports, fishing crafts and ships
are seized for the evacuation of the German civil administra-
tion and German civilians.

"The Germans apply the same methods of torture to
arrested Latvian patriots as those used by the Soviets
in 1940/1941. This is stated by a person who was liber-
ated. A rubber ring with electric leads was put around
his neck. The electric current was turned on causing
heavy bleeding through the nose and mouth. The person
concerned could not tell the things the Gestapo wanted
to know and after a while lost consciousness. When he
regained consciousness his fingers were held over the
flame of a candle, however, even this time without result.
Before he was released he had to sign a statement to the
effect that he was not going to tell other people what he
had seen and what had been done to him. This incident
took place in Riga, in the central office of the Gestapo
in Reimerss Street, in the same building where the NKVD
torture cellars were located in 1940. When the Soviets
left, all torture devices and the entire equipment of
the building remained intact and were taken over by the
'Operative Section' of the Gestapo."

An additional refugee report received on August 11, 1944:

-2- # A-721, August 14, 1 p.m. from Stockholm.

"Local Communists, actively supported by Russian prisoners of war and so-called Russian refugees, organized uprisings in certain Latvian cities, such as Tukums and Talsi; these revolts were promptly suppressed by local Latvian police forces, however.

"Russian parachutists which a few weeks ago were landed in Aluksne (Marienburg) and Jaungulbene (Neu-Schwanenburg) have been liquidated jointly by Latvians and Estonians.

"Latvian patriotic forces now center about General Bangerskis and the military leadership of the Latvian Legion.

"The so-called Latvian self-government body formed by the Germans has fled to Libau."

JOHNSON

HEC:GD:rc
2 copies to American Embassy, London.

MJB-480
Distribution of true
reading only by special
arrangement (SECRET W)

Stockholm

Dated August 14, 1944

Rec'd 5:34 p.m.

Secretary of State,

Washington.

3091, August 14, 6 p.m.

THIS IS OUR NO. 72 FOR WRB FOR DEXTER FROM OLSEN.

Replying to your No. 4 of August 8, noon, and is being repeated to Washington. (My 3091 August 14, 6 p.m., repeats this to Washington) after checking with various shipping groups Swedish Foreign Office regrets there are no vessels available suitable for proposed transportation of Jews to Haifa. When current prisoners exchange program is completed vessels might be available in about two months.

JOHNSON

RNK

CABLE TO HARRISON, BERN, FROM WAR REFUGEE BOARD

Please deliver the following personal message from
Mr. Pehle to McClelland:

QUOTE In the course of a recent review of our activities
I have been impressed with the efficient and wise manner in
which you have handled the large number of complicated War
Refugee Board problems that have come your way. I sincerely
appreciate all you are doing and I congratulate you on your
performance in what is undoubtedly one of the most difficult
assignments in the field UNQUOTE

THIS IS WRB BERN CABLE NO. 123

5:10 p.m.
August 14, 1944

FH:lab 8/5/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: August 14, 1944
NUMBER: 2785

SECRET

FOR MCCLELLAND.

Please promptly inform Mrs. Marjorie McClelland, 7 Rues des Chaudronniers, Geneva, that Treasury Department has licensed American Friends Service Committee, Philadelphia, to authorize her, as its representative in Switzerland, to utilize from funds being remitted under such license, the Swiss franc equivalent of \$10,000 for the purchase of French francs for the relief of displaced persons in France provided such French francs are purchased in the manner which shall be prescribed by the War Refugee Board representative at Bern. For the guidance of the War Refugee Board representative, he may authorize the purchase of such French francs by any of the three methods provided in the basic licenses being issued to relief organizations with respect to operations in enemy territory.

The foregoing license has the approval of the Department, Treasury and the War Refugee Board.

THIS IS WRB CABLE TO BERN NO. 121.

HULL

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: August 14, 1944
NUMBER: 2805

SECRET

Please deliver the following personal message from
Mr. Pehle to McClelland:

QUOTE In the course of a recent review of our activities
I have been impressed with the efficient and wise manner in
which you have handled the large number of complicated
War Refugee Board problems that have come your way. I sin-
cerely **appreciate** all you are doing and I congratulate you on
your performance in what is undoubtedly one of the most
difficult assignments in the field. UNQUOTE

THIS IS WRB BERN CABLE NO. 123

HULL

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: August 14, 1944
NUMBER: 5281.

SECRET

Reference is made to your message dated July 21, Number 2490# and your message of August 9, Number 2737.

It was stated by the Foreign Office in a note dated the tenth of August that the Legation of Switzerland in Berlin reports internees moved from Clermont by German authorities as follows: Julian Gelernter, a Cuban, born on February 21, 1905, in Warsaw; Jose Frappaort, born on July 28, 1910, in Sanok, Poland, (a Paraguayan); and Levior Leon Wainz of Furneituan, born on November 12, 1902, in Kesnov, Rumania.

Though there has been as yet no confirmation of this supposition, it is believed by the Swiss Consulate in Paris, with reason, that the German authorities, who consider these persons to be stateless, sent them first to Drancy, though their exact destination is not known.

The case of Jose Frappaort has been referred to the Spanish Legation, (which is charged with the duty of protecting Paraguayan interests) by the Swiss Legation, Berlin; and it is making representations in the above matter, also, to the German Government.

HARRISON.

DCR:LCW 8/17/44

COPY NO. _____

NOT TO BE RE-TRANSMITTEDSECRETOPTEL No. 264

Information received up to 10 A.M. 14th August 1944

1. NAVAL

A British Boom Defence Vessel was damaged by explosion off NORMANDY beaches and a landing barge (oiler) was mined and sunk off CHERBOURG.

2. MILITARY

France Second British and First Canadian Armies have made limited advances. U.S. Forces are firmly established in ARGENTAN while leading elements of a strong force advancing N.E. from MAYENNE has reached CARROUGES.

Italy North of ARNO partisans have cleared Fascists from FLORENCE old city which has been entered by British troops. Fighting patrols active on whole front.

Russia Russians have captured VORU 50 miles W. of PSKOV and MADONA on railway 30 miles N.E. KRUSTPILS. In centre they have advanced N.W. and W. of BIALYSTOK and N. and N.W. of SIEDLCE.

3. AIR

Western Front 12th/13th. 210 medium and light bombers operated throughout the night against enemy movement in N.W. FRANCE. BRUNSWICK 1,275 tons. Blind bombing no accurate assessment possible. 8 German aircraft claimed destroyed. RUSSELSHEIM 962 tons. Little cloud but much haze. Scattered bombing at first but fair concentration finally achieved. 1 enemy aircraft claimed destroyed. FALAISE 657 tons. Attack directed against retiring Germans. Much cloud but careful and accurate marking enabled good concentration.

13th. 41 Lancasters dropped 224 tons on U-Boat pens BREST and BORDEAUX. 1,153 U.S. heavy bombers dropped 1,953 tons on roads and railway bridge in SEINE area and 369 tons on coastal batteries ST. MALO area. 1,400 fighters attacked enemy traffic and destroyed 52 locomotives, 34 tanks, 378 MT and 569 railway wagons and successfully attacked many other targets. 760 medium bombers sent to attack enemy transport and roads LISIEUX and PARIS areas and bridges N. and N.E. of PARIS. 14 heavy bombers and 18 fighters missing from these operations. Coastal command aircraft hit two 8,000 ton ships off ROYAN and a 1,200 ton ship off Dutch Coast. They also set on fire two 1,700 merchant vessels, 2 minesweepers and 3 Auxiliaries off HELIGOLAND.

13th/14th. 80 aircraft despatched including 30 Mosquitoes HANOVER. All returned safely.

Italy and Southern France 12th. 814 aircraft of Tactical Air Force attacked gun positions and RDF stations south of FRANCE and communications etc., Italy.

13th. 428 U.S. heavy bombers dropped 977 tons on gun positions near GENOA, TOULON and SETE while 136 heavy bombers attacked railway bridges in AVIGNON and CREST area. 63 fighter bombers attacked MONTELIMAR airfield.

German Activity During 24 hours ending 6 A.M. 14th - 64 flying bombs plotted.

PERSONAL

August 15, 1944

Dear Senator:

The American Forum of the Air broadcast over the Mutual Network is scheduled for 9:30 P. M. Tuesday, August 22nd. The program is broadcast from the Shoreham Hotel here in Washington and lasts 45 minutes.

The broadcast will be in the form of a round table discussion with either Secretary Morgenthau or Mr. Granik presiding. They will ask questions of the delegates. Annexed is a tentative list of the questions which will be discussed. While the answers will be extemporaneous and non-technical, we have included after each question some of the ideas which have occurred to a few of us with the thought that some of the delegates may find them helpful.

It is expected that in many cases more than one man may want to express his views on a question and as I understand it from Mr. Granik, this procedure is desirable as tending to lend spontaneity to the program. Under these arrangements no

- 2 -

participant will be allotted a particular amount of time. Rather they will respond as they see fit.

With respect to your quotation from Upton Close's recent talk, I would say that he is confused and does not understand the Bretton Woods proposals. He is obviously discussing the provisions of the Bank and not the Fund (although it is not clear that he realizes this).

Under the Bank proposal the United States subscribes 3,175 million dollars out of a total of 9,100 million dollars or about 35% of the total capital of the Bank. Each country accepting membership in the Bank must pay 2% of its subscription in gold and 18% in local currency. This is true of every country, whether it be the United States or Ethiopia. It is true, of course, that the local currency contribution of the United States may be more usable in the early post war period than that of some of the other currencies. However, it is very easy for one to overlook that the local currency payment of each member is limited to 18% of its capital stock subscription and that the other 82% of its obligation must be paid in gold or in the currency in which the Bank must discharge its obligations (in most cases this would be dollars). Therefore, instead of

- 3 -

the 2-1/2% gold obligation referred to by Close, all countries are assuming an 82% gold or dollar obligation.

Close is quite right in assuming that most of the loans made or guaranteed by the Bank (particularly in the early years) would be in dollars. The countries of the world will sorely need American machinery and goods for reconstruction and development. We are the only country that will be in a position to supply these goods and it will be good business for us since it provides us with peace time markets at a time when we must convert our tremendous war time production back to peace time pursuits and at a time when our returning soldiers will be wanting civilian jobs.

Now the Bank will either borrow the dollars directly in our market with which to make the loans or it will guarantee the repayment of such loans as countries may float directly in our market. Thus, in the first instance it will be dollars which will be largely put up by American investors.

However,--and this is where Close misses the point--all of the countries accepting membership in the Bank assume their full pre rata obligation to make good on the default of any country on its loan and each country obligates itself to meet this call in gold or dollars.

- 4 -

Therefore, although the U. S. investors may initially provide most of the money actually loaned and the U.S. will get the benefits in the form of increased foreign trade and employment, all the countries jointly guarantee the U.S. investors against loss. Thus, instead of the U.S. Government having to bear 100% of the risk of any loss, we have to bear only 35% of the loss and the other countries bear the remaining 65%. I need not emphasize the great advantage this offers to us.

Neither is it true that the other countries cannot make good on their guarantees. The period of time given to them to make their payments is spread over the same period as the original loan and is amortized on the same basis as the original loan. Thus no country will be called upon to make an impossible gold or dollar payment in any one year. Rather they will be called upon to make very small payments over a long term of years. This they can do and will want to do since no country is so impoverished that it cannot meet small payments spread over an extended period of time.

Parenthetically, I might add that Mr. Close's opinion that all the nations of the world except us are proclaimed bankrupts is a gross exaggeration. Some of them, and the

- 5 -

number is not nearly as large as Mr. Close suggests, are in temporary difficulty. I for one am not ready to sell the whole world short. Given a period of peace and a little intelligent aid of the kind the Fund and Bank are intended to offer and most of these countries will be able to get back on their financial feet. Close's attitude represents a brand of defeatism that we can not afford if we want to avoid World War III.

I have not discussed the Fund since I do not think Mr. Close had it in mind. However, we will be glad to go over that too, if you wish, when you return.

If we can be of any further assistance, please do not hesitate to call upon us.

Sincerely,

(Signed) Ansel F. Luxford

Honorable Charles W. Tobey,
United States Senator,
Wilton, New Hampshire.

Cleared with: Mikesell, Ness, Brenner and Minskoff.
AFL:nrd - 8/15/44

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PETERBOCO NHAMP AUG 15 1944 1150A

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ANSEL F LUXFORD

TREAS DEPT

KINDLY WRITE ME AT WILTON NEW HAMPSHIRE GIVING DETAILS OF FORUM BROADCAST 22ND AND TIME ALLOTTED INDIVIDUAL SPEAKERS ETC. WOULD ALSO APPRECIATE SUGGESTIONS FROM YOU OF ANY POINTS I SHOULD COVER FOLLOWING IS EXCERPT FROM UPTON CLOSE TALK RECENTLY QUOTE IN THE INTERNATIONAL ECONOMIC WORLD WE FACE THE REALITY THAT AMERICA WILL CHIP IN 40 PER CENT OF THE CREDIT, WHICH IS GOOD BECAUSE WE HAVE GOLD, WHILE ALL THE REST OF THE WORLD WILL PUT IN 60 PERCENT IN PAPER CURRENCY WHICH IS BACKED UP ONLY TO THE EXTENT OF 21/2 PER CENT IN GOLD- IF THEY HAVE IT. ACTUALLY THIS MEANS THAT THE U.S.A. IS TO UNDERWRITE ALL OF THE NEW WORLD CREDIT SAVE 2 PER CENT OF 60 PERCENT. THAT FIGURES OUT THAT THE UNITED STATES, ON WHOSE CREDIT ALONE THE SCHEME CAN WORK SINCE ALL OTHER NATIONS INCLUDING BRITAIN ARE PROCLAIMED BANKRUPTS, PUT UP 98.8 PER CENT OF THE WORLD'S CAPITAL WORTH AND THE REST OF THE MEMBER NATIONS PUT UP 1.2 PER CENT OR AM I WRONG? UNQUOTE WOULD LIKE YOUR REFUTATION OF THIS AND THANK YOU.

SENATOR CHARLES W TOBEY

CONFIDENTIAL

August 15, 1944

MEMORANDUM FOR THE FILES

I spoke to Congressman Wolcott this afternoon and invited him to participate in the American Forum of the Air broadcast on August 22.

He was very cooperative but stated that in his opinion he felt that it would be unwise for him to participate in such a broadcast even though it were non-controversial in character. He said that he has studiously avoided making any public comment on what happened at Bretton Woods in order that he could maintain the full strength of his position in his personal dealings with his Republican colleagues. He stated that while he had not made any overtures to Governor Dewey and did not plan to make any, it was his hope that at some point Governor Dewey would want to discuss the Bretton Woods proposals with him, particularly if Wolcott by his conduct had not embarrassed Dewey by attempting to force the issue by his public conduct. For that reason, he did not want to take any public position on either proposal and wanted to deliver his blows under cover within the Republican organization. He also wants to see if he can not soften Senator Taft up because he feels that a good deal of Governor Dewey's reluctance in taking a position stems from Taft's opposition to the programs. He said that at the time Taft sent him his proposed statement at Bretton Woods, he had been sorely tempted to wire Taft to hold up but had refrained on the theory that Taft was over 21 and might regard his conduct as impertinent. I also gathered that he was working on Congressman Dewey.

- 2 -

I told Congressman Wolcott that I could easily understand his position and that there seemed to be a great deal of merit in it, and I said that if at any point he felt that any of us could be of any assistance to him either by discussing the problems with any particular members of Congress he might want to suggest or by furnishing him with written material that we would be very happy to do so. He expressed his appreciation and I am confident that we can expect his cooperation.

CAR

August 15, 1944

MEMORANDUM FOR THE FILES

Yesterday, when I had lunch with Ted Granik to discuss some of the problems in connection with the broadcast on August 22, he mentioned to me that he was a little bit concerned over the broadcast for fear that opponents of the Fund and Bank plans would charge that he was giving a one sided version. In particular, he said he was worried about charges which might be leveled at him by Senator Taft and Congressman Dewey. He inquired at that time whether he might not speak to Senator Taft and Congressman Dewey and inform them in advance of the round table character of the August 22 broadcast and propose to them a controversial broadcast at a later date on which both of them would be invited to appear. I told him that I could see no objection to this proposal, particularly if he made it clear that this was only his idea and that obviously it would have to be taken up with whoever represented the affirmative side.

Today he called me and stated that he had spoken to both Taft and Dewey. Taft had been noncommittal regarding the broadcast on the 22nd but had indicated his willingness to appear on either September 12 or 19 and participate in a controversial discussion. Taft qualified his willingness to appear, however, by stating that it was subject to whether the issue had become a "national campaign issue" by that time. Granik stated that he gathered from this and from the manner in which Taft discussed the problem that he was really waiting until he learned of Governor Dewey's attitude toward the Bretton Woods proposals. Congressman Dewey took exactly the same line and again while he did not refer to Governor Dewey by name, he made it very clear that his willingness to attack the plan depended on whether or not it had become a national issue in the campaign.

QAL



TREASURY DEPARTMENT

WASHINGTON 25

August 15, 1944



MEMORANDUM TO THE SECRETARY

I am enclosing a list of the special items valued in excess of \$50,000 as of August 14, 1944.

A handwritten signature in cursive script, appearing to read "E. L. Olrich".

E. L. Olrich
Assistant to the Secretary

Enclosures

PROPERTY FOR DISPOSAL

SPECIAL ITEMS VALUED IN EXCESS OF \$50,000

AS OF AUGUST 14, 1944

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Cost to Govt.</u>
<u>1. Textiles and Wearing Apparel</u>			
<u>Shoe Pacs</u>	10,000	\$ 5.50	\$ 99 044
<u>Felt Innersoles</u>	55,000	.75	
Shoe-pacs are rubber shoe with leather top. Army intends to withdraw the shoe-pacs and 10,000 of the innersoles.			
<u>Magazine Belts</u>	45,626		102 818
New declaration. Samples are awaited			
<u>Gloves, rubber, anti-gas</u>	1,041,126	1.00	1 041 126
Gauntlet type. Samples are out in the trade and interest is being shown			

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Cost to Govt.</u>
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Mosquito Bars, with rods

769,000

\$ 5.90

\$1 076 600

Rectangular tents of mosquito netting. About 300,000 reported as new turned out to be used and patched. Moderate orders for new "bars" at \$1.50 are being received regularly.

Slide Fasteners

8,500,000

.19

1 615 000

Manufacturers will probably repurchase at cost price.

W.A.C. Caps

76,712

2.20

168 766

Appears to be a salvage item. Contacts have been made with uniform houses.

Filter Felt (New)

163,086 Yds

2.00

326 172

54" to 72" rolls. Samples have been sent to large users of felt; trying to negotiate sale.

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Cost to Govt.</u>
<u>Hats, Army Service</u>	91,928	\$ 3.00	\$ 275 784
The old style, broad brimmed campaign hat. 28,000 were sold to Boy Scouts at \$0.90. Samples have been sent to chain stores, distributors and exporters.			
<u>Cotton Duck, #4</u>	76,741 Yds		115 879
42" fire, water and weather resistant. Will probably be sold to Lend-Lease.			
<u>Leggings</u>	213,280		109 833
World War I stock, good only for salvage.			

2. Automotive Products

<u>Spare parts, automobile, new and used</u>			2 000 000
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Majority are used parts, taken from used motors and put in stock. The bulk of the new parts are obsolete, or are parts for discontinued military vehicles. Inspection, boxing, and listing by manufacturers is going forward prior to offering them to manufacturers

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Cost to Govt.</u>
<u>Disc Wheels for gun carriage</u>	8,800	\$ 12.00 (est)	\$ 105 600

The tire trade is being circularized in regard to the special tires, which are the only valuable part of these assemblies.

<u>Tires and Tubes, truck and bus</u>	99,000		1 309 336
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New and used. The industry inspection committee has reported favorably. The main committee has committed itself to take over the entire lot. Pro-rotas offers to tire manufacturers are being prepared.

<u>Automotive Parts, new</u>	3,100,197		3 393 527
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Recent declarations of parts in varying quantities in many locations. As distinct from previous declarations these parts are new, small parts; not obsolete and used bodies, tanks, etc, such as we have had before.

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Cost to Govt.</u>
<u>3. Furniture</u>			
<u>Pillows, new and used</u>	707,978	\$ 0.73	\$ 516 823
Some cotton, some feather, some mixed. 109,710 new, 598,268 used. Under new sales program 25,000 new mattresses were sold this week.			
<u>Bed Parts</u>			65 000
Springs, heads, feet, and side rails; unassembled. Negotiating with bed manufacturers regarding repurchase			
<u>Mattresses, new and used</u>	1,027,684	5.50	5 652 262
172,879 new; 854,805 used. Used mattresses will be sold for material salvage. 10,000 new mattresses were sold this week under new sales program.			
<u>4. Hardware</u>			
<u>Fencing, woven wire, new</u>	274,800 sq.yd	2.303	632 864
Rolls, 6 ft. wide, 450 ft. long, 4" diamond mesh. 916 rolls. Was purchased for camouflage use. Galvanized.			

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Cost to Govt.</u>
<u>Filter Elements, automotive</u>	254,803	\$ 0.50	\$ 128 138
New declaration. Information being assembled.			
<u>Incinerators, new</u>	34	9818.00	333 812
Designed for human excretion but can be used for other purposes. A hospital and a park system each have a slight interest. Apartment house use may develop.			
<u>Lanterns, oil burning deck, new</u>	34,460	3.00 (approx)	107 316
New declaration - data being assembled.			
<u>Markers, mine field</u>	11,378 sets	6.85	77 937
Web fabric carrying case containing 30 metal pins (18") with 4" x 4" metal flag marked danger. A small pocket contains two rolls of narrow, yellow tape. New declaration, being analyzed.			

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Cost to Govt.</u>
<u>Plates, vitrified china</u>	1,367,809	\$ 0.17 (av.)	\$ 231 486
New declaration. Data being assembled. Consists of dessert, bread and butter, and compartment plates.			
<u>Rafts, pneumatic life</u>	2,185	200.00	437 000
five man rafts, completely equipped. Price has been set - \$99.50 to retailers, \$84.50 to wholesalers. There is a big demand for sport purposes.			
<u>Scabbards, bolo</u>	114,290	1.60	190 864
Obsolete item. No bolos available to fit them. Bolos (curved machetes) are largely used in the Phillipines)			
<u>Shotguns, double barrel, new and used</u>	11,924	40.00 (av.)	476 960
A great variety of cheap guns (all popular makes). Inspection in process			

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Cost to Govt.</u>
<u>Skis, new and used</u>	12,000 pr	\$ 14.50	\$ 174 000
7' and 7½' hickory, ridge-top skis with steel edges. Painted white. 10,000 pairs have been set aside for the Norwegian Purchasing Commission. Inspection under way			
<u>Smoke generator parts (vehicular)</u>			277 000
Small metal parts (valves, fittings). Many are special and new uses will have to be found.			
<u>Snowshoes, emergency</u>	22,837 pr	4.25	96 915
Paratroopers' special type, of no value for sport purposes			
<u>Snowshoes, used</u>	11,745	9.00	105 654
Serviceable, trail and bear paw type snowshoes. New declaration - no action as yet.			
<u>Wood screws, brass, new</u>	500 tons 1,634 items		357 000
Only 8 bids received - none for complete lot. All were returned. Proposed now to solicit F. E. A. for export disposal. New invitations being prepared.			

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Cost to Govt.</u>
<u>5. Medical and Hospital Supplies</u>			
<u>Bandages, muslin</u>	134,584 doz.		\$ 128 034
Samples awaited.			
<u>Boxes, tablet</u>	250,000 cts.	\$.40	100 000
500 boxes in a carton. Believed to be World War I stock. Samples awaited.			
<u>Dressings, first aid packages</u>	37,100,000		4 138 000
New declarations. Samples awaited. About 1,600,000 are definitely a commercial product. If remainder are of Red Cross manufacture, they will be returned to Red Cross for use elsewhere.			
<u>Flask, with cup</u>	200,000	.33	66 000
Laboratory equipment. Samples awaited.			
<u>Floss, silk</u>	510,000 spools		173 400
Samples awaited.			

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Cost to Govt.</u>
<u>Medicines and Antiseptics</u>			\$5 800 000
<p>This listing covers many declarations recently declared by Army. It is made up of 12 types of preparations of highly technical nature, in great quantities. All are on new declarations. Samples are being obtained and will be tested to determine utility.</p>			
<u>Petri dishes, with cover</u>	230,000	\$ 0.27	\$ 62 100
<p>Laboratory dish for making germ cultures. Samples awaited.</p>			
<u>Sterilizers, new and used</u>	1,381	300.00	495 037
<p>Considered unsafe for medical department use by Army. Negotiations with manufacturer in process</p>			
<u>Surgical and Dental Instruments, Medicines and Supplies.</u>			1 846 000

Mostly non-standard, obsolete, or deteriorated. Includes \$52,228 in N. Y. Depot, \$250,000 in Louisville Depot, and \$100,000 dental supplies at Perry Point, Md. Bid invitations are being prepared for Louisville stock. Disposal policy for non-standard items is being formulated.

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Cost to Govt.</u>
<u>Suture, Catgut</u> Strand of catgut used in surgery for sewing after operations, largely internal. Must be cataloged and will be offered to other government agencies.	5,994,937 tubes		\$1 190 818
<u>Suture, Silk, Dormal</u> Strands of threadlike silk used for sewing after minor surgery. largely external. Must be cataloged and will be offered to other government agencies.	1,865,142 pkgs		140 066
<u>Talc (decontaminating agent)</u> Packaged. Region has been instructed to dispose of this remainder by end of this month. Any part unsold will probably be destroyed.	2,900 tons		100 000
<u>Test tubes, glass.</u> Samples awaited.	4,670,000	\$.03	140 100

6. None

QuantityUnit CostCost to Govt.7. MachineryIce Grousers, new

76,726 pcs \$ 2.70

\$ 207 160

Ice gripping shoes to be attached to special rubber tired treads of high speed military tractors. Each weighs 6 lbs. A tractor needs 296 pieces. There is no known application on standard machines; no market, except for scrap.

Construction Machinery, heavy

2,555

1,000.00 (av.) 2 555 000

All in inventory; all used. Cost estimate is probably high. The general condition of the equipment is poor.

Shoes for Tractor Treads

43,853

3.00

131 559

New "grousers" (shoes to be bolted to the flat tracks of crawler type tractors to give traction). These are standard replacement parts - enough for 700 tractors. Will be offered to manufacturer of tractor for which they are designed.

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Cost to Govt.</u>
<u>Batteries, dry cell and packs (Continued)</u>			

Returns awaited.

10. Miscellaneous Products

<u>Belt pocket for cartridge clips</u>	1,000,000	\$ 0.10	\$ 100 000
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Web pocket with fastener. Radio advertiser is taking quantities under option as requests from program develop. Price received \$0.06.

<u>Drums, 55 gallon, used</u>	212,000	2.50	530 000
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130,000 declared by Army cannot be located physically.

<u>Gasoline cans, 5 and 7½ gal.</u>	1,650,000	2.00	3 300 000
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One million are "Jerricans" made after German model with spout that farmers like better than our regular Blitz can. The 7½ gal. square cans are suitable for shipping paint.

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Cost to Govt.</u>
<u>Imprinting machines, new</u>	52,636	\$ 21.95	\$1 052 720
An addressograph plate press, portable, designed for Army soldier identification purposes. Conference with manufacturer is awaited, regarding re-purchase.			
<u>Spurs, new and used</u>	261,000 pr	1.40 (av.)	365 400
Waiting radio advertisers decision to take balance for novelty "give away". Word of final sale still awaited from Chicago office.			
		TOTAL	47 875 821

SURPLUS US CARS REPORT
 For 7 Days and Period Ended August 12, 1944
 (Period Began Jan. 1, 1944)

	<u>7 Days to August 12, 1944</u>	<u>Period to Date</u>
Total Used Cars Declared		3683
Less Declarations withdrawn	106	
Less Loans to Other Federal Agencies	<u>0</u>	<u>71</u>
Less Transfers to Other Federal Agencies	<u>0</u>	<u>19</u>
	<u>4</u>	<u>551</u>
Net Used Cars Declared for Sale		3042
Less Used Cars Sold	102	
Balance of Used Cars on hand	<u>116</u>	<u>2138</u>
		<u>904</u>

ANALYSIS OF INVENTORY

Inspected and ready for sale	603
Not inspected	<u>301</u>
	<u>904</u>

ANALYSIS OF DISPOSAL ACITIVITY

	<u>DECLARATIONS</u>	<u>DISPOSALS</u>	<u>INVENTORY END OF PERIOD</u>	<u>INVENTORY CHANGE</u>
Period Ending July 1st	2864	2013	851	
4 Weeks Ending July 29th	624	610	865	/14
7 Days Ending August 5th	89	36	918	/53
7 Days Ending August 12th	106	120	904	-14

SURPLUS TRUCK REPORT

For 7 Days and Period Ended August 12, 1944
(PERIOD BEGAN Jan. 1, 1944)

	<u>7 Days to August 12, 1944</u>	<u>Period to Date</u>
Total Trucks Declared	<u>556</u>	<u>22959</u>
Less Declarations withdrawn	<u>19</u>	<u>944</u>
Less Loans to Other Federal Agencies	<u>11</u>	<u>145</u>
Less Transfer to Other Federal Agencies	<u>69</u>	<u>2704</u>
		<u>3793</u>
Net <u>Trucks</u> Declared for Sale	<u>457</u>	<u>19166</u>
Less <u>Trucks</u> Sold	<u>1188</u>	<u>14575</u>
Balance of <u>Trucks</u> on hand		<u>4591</u>

ANALYSIS OF INVENTORY

Inspected and ready for sale	<u>3220</u>
Not Inspected	<u>1371</u>
	<u>4591</u>

ANALYSIS OF DISPOSAL ACTIVITY

	<u>DECLARATIONS</u>	<u>DISPOSALS</u>	<u>INVENTORY END OF PERIOD</u>	<u>INVENTORY CHANGE</u>
Period Ending July 1st	20311	10300	10011	
4 Weeks Ending July 29th	1738	5308	6441	-3570
7 Days Ending August 5th	354	1473	5322	-1119
7 Days Ending August 12th	556	1287	4591	- 731

SURPLUS MOTORCYCLE REPORT

For 7 Days and Period Ended, August 12, 1944
(Period Began Jan. 1, 1944)

	<u>7 Days to August 12, 1944</u>		<u>Period to Date</u>	
Total Motorcycles Declared		<u>112</u>		<u>6051</u>
Less Declarations withdrawn	<u>0</u>		<u>1</u>	
Less Loans to Other Federal Agencies	<u>0</u>		<u>0</u>	
Less Transfers to Other Federal Agencies	<u>1</u>	<u>1</u>	<u>210</u>	<u>211</u>
 Net Motorcycles Declared for Sale		<u>111</u>		<u>5840</u>
Less <u>Motorcycles</u> sold		<u>356</u>		<u>4933</u>
Balance of <u>Motorcycles</u> on hand				<u>907</u>

ANALYSIS OF INVENTORY

Inspected and ready for sale	<u>450</u>
Not Inspected	<u>457</u>
	<u>907</u>

ANALYSIS OF DISPOSAL ACTIVITY

	<u>DECLARATIONS</u>	<u>DISPOSALS</u>	<u>INVENTORY END OF PERIOD</u>	<u>INVENTORY CHANGE</u>
Period Ending July 1st	4518	4102	416	
4 Weeks Ending July 29th	1126	636	906	+490
7 Days Ending August 5th	295	49	1152	+246
7 Days Ending August 12th	112	357	907	-245

78TH CONGRESS
2^D SESSION

S. RES. 325

IN THE SENATE OF THE UNITED STATES

AUGUST 24 (legislative day, AUGUST 15), 1944

Mr. THOMAS of Utah (for himself, Mr. MURRAY, Mr. FERGUSON, and Mr. TAFT) submitted the following resolution; which was referred to the Committee on Foreign Relations

RESOLUTION

Whereas the Government of Hungary has specifically expressed its readiness to release those Jews who could enter Palestine, which is easily accessible from Balkan countries by land route and calls for little or no shipping space, and whose six hundred thousand Hebrews are clamoring for an opportunity to shelter and feed their tormented kin; and

Whereas the Governments of the United Kingdom and the United States have accepted the proposal of the Hungarian Government made on July 17, 1944, to the International Committee of the Red Cross for the release of Jews, and have officially and publicly stated that they "will find temporary havens of rescue where such people may live in safety": Now, therefore, be it

- 1 *Resolved*, That the Senate of the United States recom-
- 2 mends and urges the President and the Secretary of State to

1 use their good offices to put into effect immediately this
2 solemn obligation by the immediate establishment of mass
3 emergency rescue shelters in the mandated territory of
4 Palestine, similar to the emergency shelter at Oswego, New
5 York, so that the Hebrews of Europe may find there haven
6 from the ordeals of persecution.

78TH CONGRESS
2d Session

S. RES. 325

RESOLUTION

Urging the establishment of temporary havens
in Palestine for certain Hebrews in Hun-
gary.

By Mr. THOMAS of Utah, Mr. MURRAY, Mr.
FERGUSON, and Mr. TAYLOR

APRIL 24 (legislative day, APRIL 15), 1944
Referred to the Committee on Foreign Relations

RESTRICTED

SUPREME HEADQUARTERS
ALLIED EXPEDITIONARY FORCE
G-5 Division

157
Read by Mrs. Whit

SHAEE/G-5/FIN/106

15 August 1944

SUBJECT : Report on Investigation of some Financial Aspects of the
Liberation of Normandy.

TO : The Hon. Henry Morgenthau
Secretary of the Treasury,
United States.

Dear Mr. Secretary:

There are transmitted herewith five copies of the above-mentioned report of an investigation made by 1st Lt. Hiram S. Gans in the combat areas in Normandy with special emphasis upon currency, inflation, price and ration control systems and the effect on such matters of soldiers' and Forces' expenditures in the area.

The report was intended to be factual rather than theoretical. Therefore, the statistics and evidence included have been marshalled in sufficient detail to enable one to draw the conclusions expressed below. All evidence points in the direction that fears which may have been expressed by French authorities of inflation being augmented by the presence of large numbers of Allied troops whose purchasing power could not be sufficiently controlled, is not supported by the facts found in the region itself. These questions have not been asked by those French officials who are in France as they have been able to observe the lack of any basis for such anxiety.

Insofar as fiscal matters are concerned, the impact of the Allied invasion on the French economy has been well controlled. None of the conditions ordinarily concomitants of large scale military operations and forces are present in liberated France. The plans prepared have been well implemented and the regulations or orders issued have been observed in such a manner as to reflect credit upon Allied Forces in the area.

The facts found lead to these inescapable conclusions:

- a. Expenditures of Allied Forces and individual troops have been relatively small and have not contributed to inflation.
- b. Plans to encourage savings have been successful. Over 90% of all funds payable to members of the Allied Armed Services in Normandy have been re-deposited with or not drawn from U.S. Finance Offices or British Paymasters.

RESTRICTED

-2-

- c. The tendency of prices, both legal maximum and actual prices, has been notably downward since liberation.
- d. Black markets have ceased to exist in all commodities, except a very few which have continued on a largely reduced scale from pre-invasion times. Such black markets as continue to exist (e.g., tobacco, coffee, gasoline, and sugar) are not patronized by and are not due to the presence of Allied Forces.
- e. The supply of Metropolitan currency uncovered in the area appears to be adequate for all French needs, governmental or private. It has not been necessary to supply Supplemental currency to the French authorities. Supplemental currency expended by Allied Forces and troops, is everywhere accepted without question, even in payment of taxes. Under instructions of M. Coulet, the banks and the Banque de France in Normandy have adopted a policy of accepting Supplemental currency but not re-issuing it.
- f. The Foreign Exchange controls imposed on Allied Forces are being effectively adhered to and enforced. There apparently is no irregular traffic in dollars or sterling and it is believed that such traffic is practically non-existent. At any rate it is not participated in by Allied troops.
- g. The condition of the population insofar as the availability of rationed edibles is concerned has greatly improved.
- h. The supply of civilian labor needed by Allied Forces for unloading and other heavy work is inadequate.
- i. Official wage rates are higher than those before liberation but the actual wage income of workers is somewhat lower. Allied Forces are adhering to the local wage scales in contrast with the practice of the enemy, who is reputed to have violated the legal wage scale whenever his interests required.
- j. Industry and production in Normandy suffered severely from military operations, but such disruption is less serious in the agricultural areas investigated than it would have been in a highly industrialized locality. Existing credit and banking facilities are sufficient to meet industrial needs in Normandy.

In conclusion, it may be said that the actual situation gives all the support necessary for a feeling of confidence in the position of the French economy insofar as it has been or is likely to be affected by Allied military operations.

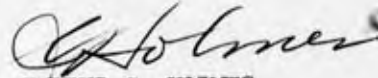
A copy of this report is being given to the appropriate French

-3-

authorities for their information.

From the point of view of other countries yet to be liberated, the report may serve as an encouraging picture to them of the attempts to avoid interference with their economics during military phases. It may be that the Governments of such United Nations would be re-assured by knowing the plans that have been made and the success with which they have been put in operation.

I trust that you will have an opportunity to let me have your comments on this letter and the enclosure as soon as convenient.


JULIUS C. HOLMES,
Brigadier General
Deputy Assistant Chief of Staff
G-5 Division

HSG/b

Encl. 5

RESTRICTED

RESTRICTED

SUPREME HEADQUARTERS
ALLIED EXPEDITIONARY FORCE
G-5 Division
Financial Branch

*Copy 1
with colored
notices. Ex 5+6* 160

SHAFF/G-5/AIN/106

12 August 1944

SUBJECT : Report on Investigation of Some Financial Aspects of the
Liberation of Normandy.

TO : Chief, Financial Branch, G-5

1. The Mission.

Invasion operations on the scale planned for the liberation of France meant unavoidable disruption of the life and economy of the region immediately involved. It was the function of the Civil Affairs planning staff to minimize such interference and facilitate the return to more normal status as rapidly as possible. On the financial and economic fronts this involved, among other things, control of Forces' spendings, currency problems, counter-inflationary measures, assistance in preservation and amelioration of price and ration control systems and plans to reduce and eventually to eliminate black markets.

This investigation in the combat areas in Normandy was undertaken in order to observe the operation in the field of the plans made for these purposes and to assemble factual information.

2. Area of Investigation.

The investigation was conducted between 28 July 1944, and 7 August 1944, in approximately 30 places located in those parts of the departments of La Manche and Calvados, lying north and northwest of the line drawn between Avranches and Caen.

3. Methods.

The method of investigation was principally by personal interview of US, UK and French Civil Affairs Officers, other Army Officers and French civilians and officials. Information on rationing and legal prices was obtained from official French documents and publications. Data on free and black market prices were obtained in retail shops and by inquiry of local inhabitants.

4. Conclusions Reached.

- a. Soldiers' spendings and Allied Forces expenditures in the liberated area have been relatively small and have not contributed to inflation.
- b. Less currency has been expended by Allied Forces and troops than anyone had a right to expect. Over 90% of the funds paid out to members of the Armed Services has been returned to paymasters.
- c. The tendency of prices since D-Day has been down, both officially and actually.
- d. The black markets have ceased to exist in all commodities, except a few which continue from pre-invasion times and which are not due to nor encouraged by the presence of Allied Forces, e.g., tobacco, coffee, gasoline (petrol).

- e. The supply of Metropolitan currency uncovered in the area appears to be adequate for all French needs, governmental or private. It has not been necessary to supply Supplemental currency to the French authorities. Supplemental currency expended by Allied Forces and troops, is everywhere accepted without question, even in payment of taxes. Under instructions of M. Coulet, the banks and the Banque de France in Normandy have adopted a policy of accepting Supplemental currency but not re-issuing it.
- f. The Foreign Exchange controls imposed on Allied Forces are being effectively adhered to and enforced. There apparently is no irregular traffic in dollars or sterling and it is believed that such traffic is practically non-existent. At any rate it is not participated in by Allied troops.
- g. The condition of the population insofar as the availability of rationed edibles is concerned has greatly improved.
- h. The supply of civilian labor needed by Allied Forces for unloading and other heavy work is inadequate.
- i. Official wage rates are higher than those before liberation but the actual wage income of workers is somewhat lower. Allied Forces are adhering to the legal wage scales in contrast with the practice of the enemy, who is reported to have violated the legal wage scale whenever his interests required.
- j. Industry and production in Normandy suffered severely from military operations, but such disruption is less serious in the agricultural areas investigated than it would have been in a highly industrialized locality. Existing credit and banking facilities are sufficient to meet industrial needs in Normandy.

5. Soldiers' Spending.

The program to limit the personal expenditures of Allied troops in liberated France is effective. It may be stated without reservation that soldiers' spendings are negligible and have had no undesirable effect on the French economy. The plans made before D-Day have been well implemented and activated down to the lowest echelons. The results are gratifying.

Captain Rieucobourg, designated by M. Coulet, the Regional Commissioner, to make a study of financial and economic matters in the two liberated departments, wrote in his report dated 31 July 1944, that the monetary situation since D-Day is better than it was before, notwithstanding the expenditures of individual soldiers and Allied Forces in the limited territory liberated. (For an extract of his report see Exhibit 1)

a. Implementation of soldiers' spending program by the several echelons

SHANT: The plans made for limiting soldiers' spendings in France are set forth in SCAMP's Program to Limit the Inflationary Effects of Military Operations, dated 3 June 1944 (Exhibit 2). The mission included finding out how this program was implemented; how it was communicated to the troops in the field.

SHAFS Administrative Memorandum Number 6, dated 20 May 1944 (Exhibit 3), contains certain provisions prohibiting procurement and individual purchases. Paragraphs 2 and 3 of Section II thereof read:

"2. BY INDIVIDUAL MEMBERS OF BRITISH/US FORCES. In order to prevent inflation and the depletion of available stocks members of British/US Forces are prohibited from making any local purchases for individual use (including the purchase of food in restaurants).

"3. This order will be strictly enforced, but, if after study of local conditions, Commander-in-Chief, 21 Army Group, sees fit, he may relax provisions of this instruction, informing this headquarters of the action taken."

Troops embarking for France were provided with a booklet, entitled "France" which contained some description of the country and people and some rules and hints on behavior. At page 8 of this brochure, the following appears:

"One way troops in England can become unpopular through more thoughtlessness, is by purchasing in the local shops things which are scarce, so that civilians go short. In the first months you will almost certainly

find in France such shortages that it will be up to you not to try to buy anything, much less scrounge. An unimportant comfort for a British soldier will be an absolute necessity to some Frenchman. And buying food at a farm may quite likely mean preventing some child in the nearest town from getting a meal.

"Above all have nothing to do with any black market. Whatever the temptation, buying on this simply means that the poor who need food will not get it, and the return to normal distribution will be complicated and delayed".

21 ARMY GROUP: The directives of SHAWN followed military channels and were passed on by 21 Army Group which published the following General Routine Order, No. 369, dated 23 June 1944:

"Individual Purchases in Liberated Territory.

1. An acute shortage of commodities and particularly of food and fuel exists throughout enemy occupied territories. The existence of isolated stocks of food or other commodities in any district in the present theatre of operations in France merely indicates that the normal channels of distribution have broken down.
2. It is of vital importance that all available stocks should be conserved and redistributed when possible to districts where they are urgently needed. It is equally important that any inflation resulting from uncontrolled expenditure by the troops should be avoided.
3. Until further orders, therefore, all ranks are forbidden to make any individual purchases whatsoever from civilian sources in liberated territory.
4. This order will remain in force pending further investigation of the situation, and will be relaxed only if it is established that the individual purchase of certain non-essential articles or commodities will neither lead to inflation nor retard the restoration of normal economic conditions in liberated territory.

21 A.Gp/23469/Q(Maint)."

LOWER ECHELONS: On 26 May 1944, Procurement Memorandum No. 3 (EXHIBIT 4) was published by U.S. Headquarters Advance Section, Communication Zone, prohibiting purchases as therein specified.

In the American Zone every town, as soon as it is liberated, is put off limits to all military personnel except those who are there on official business. Signs proclaim this status on all roads entering these places. In addition the Provost Marshal has posted the following notices on restaurants, cafes and stores in Cherbourg:

"No food will be purchased by U.S. Military Personnel at any time.

Beverages may be purchased between 1800 and 2130 only." 1/

This action is based on a communication from Headquarters, ETOUSA, to the Commanding Generals of First and Third US Army, dated 20 May 1944, which contains the following:

"b. When necessary the retail outlets, including restaurants, may be placed off limits and those stores which sell to military personnel will be under close supervision. Prices and quality of merchandise in these establishments should be closely controlled."

The memorandum dated 8 July 1944, published by Headquarters, Advance Section Communications Zone, followed up the previous action. Paragraph 8 thereof reads:

"8. Food. Food will not be procured locally by purchases or barter except by authorized agencies. Military personnel are prohibited from purchasing food or meals at hotels, restaurants and lunchrooms."

Again on 26 July 1944 in circular No. 16 the same Headquarters, in discussing vegetables, directed:

"It is emphasized that only vegetables issued by Quartermaster Depots will be used. There will be no purchase locally by unit messes or individuals."

As a final example, on 27 July 1944, Headquarters, Cherbourg Command, published regulations, reference AF 240.715 reading in part:

"6. Off Limits will be strictly observed. Restricted areas will be avoided. All houses of prostitution are off limits to military personnel. Cherbourg is off limits to all troops outside of the area defined in GO No. 22, Hqs. ASCZ, dated 21 July 1944."

"7. No purchases will be made of rationed articles."

In the British and Canadian Zones similar action has been taken. For example, General Routine Order 363, dated 23 June 1944, published by 21 Army Group was followed at lower echelons by other regulations, e.g., S.T/39/Q, dated 4 July 1944 and S.T/39/Q dated 27 July 1944 published by Adjutant, Administration and Quartermaster General, Headquarters, Second Army, Troops, restricting purchases by troops. In the British

1/ This notice is mimeographed on a sheet about half-letter size. It is unlined, bears no letterhead and shows no official designation of source. For maximum effectiveness, it should have been printed in large size paper and in heavy type. The notices published in the British Zone are more effective.

area Bayeux, the only fair-sized town taken by August 7, 1944 (except Caen largely destroyed and still within enemy artillery range) was declared off limits. Notices (Exhibits 5 and 6) restricting purchases by individuals were posted conspicuously. In addition there were painted wooden signs on main thoroughfares reading:

"Cafes, restaurants and shops are forbidden to sell LAMS, butter and cheese to troops."

By Order of Military Commander"

Places where liquor is for sale are posted with notices saying:

"Alcoholic beverages may be sold only between 1200 and 1400 and 1800 and 2100 hours."

In Bayeux notices proclaimed that all troops must be out of town by 2200 hours.

For a time, the prohibition against the purchase of civilian supplies was relaxed in the British Zone at the request of the French authorities who were concerned with the surplus of perishable foodstuffs. The list of items which troops were permitted to buy included eggs, butter, milk, cider, cheese and fruit (Exhibit 5). More recently in discussions with the French authorities regarding the reinstallation of procedure for rationing, price control, and the accumulation of stock piles (in anticipation of the needs for food in the interior of France) it appeared that the rationing system would have little chance of success if troops were permitted to purchase rationed articles without ration coupons. Accordingly, after discussions with SHARP, Assistant Chief of Staff (ACOS), G-5, 21 Army Group decided to revert to a complete prohibition of purchases by troops in civilian establishments as of 1 August 1944. (Exhibit 6).

It was readily apparent, therefore, that the military had done a good job in attempting to prevent the troops from spending large sums in the area and from purchasing rationed commodities.

b. Post Exchange Facilities.

Since all the liberated area was still in the combat zone at the time this survey was made no US Post Exchange had been set up. PX rations of cigarettes, candy, gum, soap, and shaving items were being distributed free to American troops. Hence there were no receipts from Post Exchanges in France. But there was also no need for the troops spending money to purchase such commodities. Two motion picture theatres were open to the Forces Grises and soon a third and the largest will be ready. French cinema houses (three in number) were also open for business. All these theatres were crowded at every performance and long queues of patrons waited for each succeeding show.

Since this investigation was completed, Headquarters, ETOUSA announced (on 9 August 1944) the opening of the first Post Exchange on the Continent. More than a hundred items of merchandise are for sale to the troops. The release said "..... just as soon as ample supplies can be shipped over we will begin establishing PX's at other installations throughout France to service the other soldiers".

At Isigny in the American sector there was a small Officers Sales Store where clothing and some items of equipment could be purchased but it is believed that the volume of sales was

not large since, due to military activity in the area, men used only field equipment and all personnel was furnished with clothing before embarking for France.

In the British and Canadian sectors there were Officers Sales Stores at Bayeux and Tison. These were heavily patronized, especially the store in Bayeux which had long queues of officers waiting for admission and which ran out of stock several times during the period of the investigation.

In the British and Canadian sectors both static and mobile MAFI's were in operation, where articles were sold instead of being distributed gratis as was the case in the American sector.

a. Savings Program.

The program to encourage military personnel to save a substantial part of their pay is proving very successful.

In the American Zone, the six Army Finance Officers in Cherbourg estimated that soldiers were retaining or drawing only 5% to 15% of their pay. Allotments, war bonds purchases, purchases in Army establishments, Savings' and PIA remittances were resulting in the recoupment of between 85% and 95% of all pay to the Armed Services. 1/

The savings plans percolated down to the smallest units. Even the Civil Affairs Detachment in Cherbourg, consisting of fewer than 50 officers and men, had a notice on the mens' bulletin board calling attention to the plans to extend savings and inviting those interested to sign up for additional regular deductions from pay for savings. Some men had signed the notice, requesting that additional deductions be made from their pay for this purpose.

As a result of the campaign to increase savings, soldiers have little money in their pockets. On 29 July 1944 the writer asked 37 enlisted men chosen at random in the queue of about 200 waiting for coffee and doughnuts at the American Red Cross in Cherbourg how much money they had with them. One had over 300 francs, most had between 100 and 300 francs, a few had less than 20 francs to spend.

The troops apparently carried only a small amount of cash with them to France. A representative unit of approximately 42,000 officers and men, which was provided with exchange facilities in one of the marshalling areas, took on the average only 335 francs per man to France. The balance of their cash was sent to the US, mostly by PIA.

In the British Zone it appeared that Field Cashiers and Paymasters were receiving back about 95% of all pay through Postal Money Orders, receipts of MAFI sales (British Post Exchange) and officers equipment sales stores. This was the experience of Lt. Col. Bloom, Staff Paymaster, Second Army and of Lt. Col. Billing, Assistant Command Paymaster, No. 9 Command Pay Office

The experience of Major Chapman, No. 3 Forward Base Pay Office was unusual. On 24 June 1944 he opened his account with a

1/ The consolidation of the reports from all US Army Finance Officers was being made up in London and was not ready at the time this report was written.

deposit of 59,000,000 francs. Since that date his disbursements have been averaging approximately 3,000,000 francs daily, yet his receipts from MAFI sales and for Postal Money Orders from troops savings and family allotments have been so large that on August 1 his bank balances had increased to about 75,000,000 francs. In other words, against disbursements of about 111,000,000 francs up to August 1, he had received about 127,000,000 francs. It should be noted that his office is in the largest town in the British area, and therefore his receipts were drawn from a rather larger area than that of his disbursements, but this in no way affects the picture as other paymasters in these areas were recovering 90% of their disbursements to troops.

d. Opinion of Allied Officers.

Allied Officers were unanimous in their opinions that soldiers' spendings were creating no problem.

Each of the following Officers, interviewed by the writer, expressed these views:

Lt. Col. Claiborne, Chief of the Currency Section for France;
 Lt. Col. Hawley, C.O. Civil Affairs Detachment ALAL (Charbourg);
 Lt. Col. Pirie (ER) C.O. CA Detachment #10, Bayeux area;
 Lt. Col. Scarlett (ER) CA, Deputy Controller Finance 2nd Army;
 Lt. Col. Freemantle (ER) Deputy Chief, Currency Section for France (Bayeux Area); Lt. Col. Barrett, Chief Finance Officer, (CA) First U.S. Army.

Major Askernan (ER) Economic Labor Officer CA Detachment, Charbourg; Major Haulahan (US) CPA, Charbourg; Major Luis (ER) Labor Officer with 210 Detachment; Major Durnooy (ER) CA Finance Officer 5 L/C area Bayeux; Major Shepherd (ER) CA Finance Officer Charbourg Detachment, and Captain Thorndike (US) assisting him.

Captain Kelly (US) CA CC Det. Les Piaux area; Captain Lawrence (US) of Coteville area; Captain Lindsay (ER) of Fontenay area; Captain Vendig (US) Briquerebec area; and Lt. (j.g.) U.S. Navy Paymaster's Office, Charbourg, and Lt. La Croix of CPA Office Charbourg Command.

None of the officers interviewed showed any concern over soldiers' spendings. All were unanimous that no problem existed.

e. Opinion of the French.

The French authorities in Normandy agree with the conclusion that soldiers' spendings constitute no problem.

On 28 July 1944, the writer talked with H. Duni, Director of the Charbourg branch of the Banque de France and H. de Reinee, Inspector of the Banque de France for the Departments of La Manche and Calvados. Both said that soldiers' spendings were extremely limited. H. de Reinee stated that he had asked the American enlisted man who drove the vehicle that brought him to Charbourg and found that this soldier has spent only 150 francs in the month he had been in Charbourg.

M. Triboulet, sub-Prefet of the Department of Calvados expressed no concern over Allied expenditures in his area, Bayeux arrondissement. Captain Morange, a French Liaison Civil Affairs Officer in Charbourg, expressed the opinion that soldiers' spendings were so small in the Charbourg area as to be of no

consequence.

Major Dauncey (BR) Finance Officer with 210 Civil Affairs Detachment, Bayeux said that M. Coulet in his presence stated that the tendency of prices in liberated areas was down in spite of soldiers spendings.

As previously mentioned, M. Coulet appointed Lt. Col. Riquebourg formerly of the French Ministry of Finance, to make a survey of financial and economic matters in the liberated area. Col. Riquebourg's entire report was not made available but a portion thereof was obtained and is annexed, in English translation (Exhibit 1). This excerpt says in part:

"Finally, although again in this respect it is a question of impressions rather than of facts and a more thorough study must be made, the monetary situation has not worsened since liberation and I should be even tempted to write that it has improved. Actually, the technical position of currency is better". (Underlining by Riquebourg).

6. Currency.

The predominate characteristics of the currency situation in the area investigated are:

first, an abundance of Metropolitan francs in all denominations, (now that some slight redistribution of the smaller denominations of coins and notes has been made);

second, public acceptance of Supplemental French currency introduced by the Allies without question and on an equal basis with local French currency;

third, the lack of any need for Supplemental currency by the French; and

fourth, the failure of the impending threat of a potentially large supply of currency in the hands of a vast military force confined to a small area to bring about an increase in prices during a period of great stress .

a. Adequacy of Currency Supply.

The volume of Metropolitan currency found in the area liberated appears to be abnormally large in relation to the normal volume of trade, the level of income and the level of prices. Although bank deposits were increasing prior to D-Day, currency holdings in the hands of the public are believed to have increased even more.

French authorities estimate, for example, that in the two departments of Calvados and La Manche the currency circulation is between 14 and 15 thousand million francs. A very large proportion of this total represents idle cash in the pockets of farmers. The population of Normandy being principally rural, traditionally makes little use of banking facilities. It holds its cash reserves in currency hidden on the farm.

Bank deposits have increased substantially since liberation. In part this is due to the desire of local residents to have a safe place for the deposit of cash in view of the destruction of buildings unavoidable in bitterly contested combat areas.

There is no evidence that the enemy has tried to strip the area of currency. An interesting fact appears to be the hoarding of large sums of Metropolitan francs by the enemy. Instead of using the francs he collects ~~to cover~~ the costs of occupation for the payment of supplies and services, the enemy appears to be hoarding currency and creating debits against which payments are seldom made. The enemy's balance in the Banque de France has been permitted to get very low as compared with previous practice when the German authorities required that occupation costs be credited to their account in that bank and in the process accumulated a large balance. Occupation costs were originally 400 million francs per day, then were reduced to 300 million and at the time of the invasion of Africa by the Allies and the occupation of all of France by the enemy, were increased to 500 million francs per day. It has been estimated by Lt.Col. Barrett (US), Chief Civil Affairs Financial Officer with the First US Army, that the total note circulation in France is approximately 550 thousand million francs of which the Germans hold some 25% to 30% thus reducing the amount actually in circulation to some 375 thousand million francs.

a. (Cont.)

Commercial banks have more than adequate cash on hand in spite of damage to banking premises. Interest rates are the same as before D-Day although the number of loans is largely reduced because most businesses have not as yet reopened. The discount rate on three-name paper (that is paper signed by a maker, acceptor and endorser) is 1.75% for 90 to 120 days. Overdrafts guaranteed by government bonds or treasury bills of short or medium maturity are charged interest at the rate of 3%.

The large volume of Metropolitan currency in circulation and held by the enemy in the interior represents a potential inflationary threat which could cause serious difficulty should there be a loss of public confidence in the currency. It must be expected that the enemy will attempt to use or dump the large stock of francs he holds when he no longer has access to the Banque de France.

As of 5 August 44 approximately 17,500 million Supplemental francs had been distributed by the Currency Section, Financial Branch, G-5, to all armed services and our Allies. It was estimated that these funds would provide sufficient currency for all Allied paymasters' needs up through October 6, 1944. However, so large has been the re-deposit of funds paid out to troops in both the American and British forces that it appears to be likely that these funds will be more than adequate for the period ending D+180.

In the majority of cases Governmental units have sufficient funds on hand to meet their immediate requirements. The Regional Commissioner has arranged to assist those Governmental units which are short of funds. In June some Communes were obliged to delay payment of salaries and other obligations but the situation has been remedied.

Virtually no Civil Affairs advances have been made to French authorities and therefore little Supplementary currency has been put into circulation through that channel. Only two applications for advances have been received and these involved negligible sums required for burial of dead in villages completely destroyed during operations.

Lt.Col. Barrett stated that he did not envisage the necessity of making a single advance of Supplemental currency to any French authority or enterprise. Lt.Col. Claiborne, Chief of the Currency Section for France was of the same opinion, although he felt that some currency might be needed later by Civil Affairs Officers to meet displaced persons problems as well as to meet army payrolls and other military expenditures.

Nearly all banks are continuing to receive but not to pay out Supplemental currency thereby sterilizing a part of such currency put into circulation by the Allied Forces.

b. Acceptability of Supplemental Currency.

Both British and American units have used some supplementary currency for the pay of troops and procurement. The Armies had supplies of metropolitan francs and used new supplemental currency only for some of their requirements. No 1000 and 5000 franc notes had been issued and use of the 500 franc note has also been limited.

b. (Cont.)

Large denomination currency has generally not been accepted with quite the same readiness as small denominations. The 500 franc note, for example, is not popular with the public apparently because this denomination is traditionally little used in France and because the note bears close similarity to the 100 franc note.

During the early days of the liberation a few instances of difficulty were reported with the small denominations. In early June a few persons in the British zone queried 2 franc and 5 franc denominations, apparently because the 2 franc note had not been current heretofore and the 5 franc note is smaller sized than the corresponding metropolitan note. At the same time there were occasional indications of some sentimental preference for metropolitan currency. This was apparently due to familiarity with the metropolitan notes. It appears to have been clearly without significance and unrelated to any political situation. Little significance is likewise attached ~~to~~ to occasional sentimental preference for supplemental currency, attributed to the tri-color which appears on the reverse of the supplementary notes.

It should be kept in mind that the amount of supplementary currency in general circulation is relatively small. Military units met some of their requirements from their stocks of metropolitan currency. The volume of military procurement was very small. Only a small portion of the currency used for the pay of troops found its way into general circulation because a very large part of the cash paid to the troops was returned by them for transfer to their homes, for investment in bonds and other forms of savings, and through expenditure in Army channels. This left a relatively small amount of French currency in the pockets of the troops for possible expenditures in French civilian establishments.

In three weeks ending about July 15, the Banque de France, Cherbourg, had received a total of only 685,000 Supplemental francs from all sources, other banks included. As of 31 July 44, however, it had a total of approximately 2½ million of such francs which included 1 million brought by the Credit Industriel de Normandie (Cherbourg Branch) from its Bayeux Branch and deposited as part of a deposit of 5 million francs with the Banque de France, Cherbourg.

Nearly all banks are continuing to receive but not to pay out Supplemental currency, thereby sterilizing a part of such currency put into circulation by the Allied Forces. Pending specific instructions from the French authorities some commercial banks are apparently maintaining separate records of deposits made in supplementary currency and paying withdrawals against such deposits only in supplementary currency. Banque de France, Cherbourg, is not distinguishing in its accounts between currencies but is believed to be paying out only metropolitan currency. These special arrangements on the part of the banks are not known to the general public.

The Regional Commissioner has not only withheld previous proposed instructions to tax collectors to refuse supplementary francs in payment of taxes but has also instructed the Banque de France through the Sous Prefect at Cherbourg to accept supplementary francs freely.

o. Confidence in the Currency & Treasury Bonds.

There is no evidence that bankers, businessmen or the general public are particularly concerned about the ultimate value of either French or Supplemental currency or French Government bonds although the expected tendency of the French farmer to invest in land and live stock continues. This tendency was strong during the entire period of occupation. Good pasture land sold for as much as 100 to 125 thousand francs per hectare (about 2½ acres). This is 8 to 10 times its prewar price. Good milk cows have brought 15 to 20 thousand francs. With the legal maximum price of milk fixed at 3.5 francs per litre, such purchase prices are economical only as a hedge against inflation. Pre-war prices were seldom more than 3 to 4 thousand francs for a good cow. Work horses have brought 60 to 80 thousand francs in spite of the German requisition price which averaged 45 thousand francs.

That there is little lack of confidence in the currency is also indicated by the recent success in the sale of French Treasury bonds which continued in the period since D-Day. During July one bank in Bayeux, the Credit Industriel de Normandie, brought approximately 4,500,000 francs of one year Treasury bonds for its customers. Societe Generale, Cherbourg, has sold 2,850,000 francs in Treasury bonds during the same period, also mostly one year maturities. Summary data for bond sales in the area is not now available.

Interest rates on French Treasury bonds since 1942, when they were reduced, are as follows:- 6 months bonds, 1.75%; 1 year bonds, 2.25%; and 2 year bonds, 2.50%. Interest is in each case paid in advance; that is, the bonds are bought at a discount. For example, 950 francs are paid for a 1000 franc bond maturing in 2 years. The actual interest rate is thus 2.63%. The bonds may be either bearer or payable to the order of the subscriber. In either case the interest is free of all taxes.

The bonds which are now being sold are identical with those sold before liberation. Even the same promotional material continues to be used. The physical appearance of the bonds is described as follows:-

The reverse of the bond is blank, the face has a blank space where the date of issue is filled in when it is delivered to the purchaser. The following wording appears:-

BON DU TRESOR FRS

A un An de date, de Tresor Public payers la somme,
_____ au porteur au a l'ordre de _____

(signed) l'Agent comptable
des Emissions

le Directeur
de la Dette Publique

The background printed in pale blue on white paper bears in the centre a large monogrammed R.F. the two letters in scroll, partly interlaced. The rest of the background is made up of the words:- "Etat Francais Tresor Public" in very small print, the phrase being repeated horizontally along the whole width of the space between the scroll borders and perpendicularly, line on line, very closely spaced. The text of the background is quite inconspicuous, and even the monogram does not stand out particularly.

Bankers report that none of their clients subscribing to these bonds has ever raised questions as to what particular French government was responsible for redemption. No question has been raised over the use of the phrase "Etat Francais" in place of "Republique Francais." The French Treasury is expected

○. (Cont.)

to pay and has been doing so up to the present. All banks pay interest and matured principal, without question to the seller or described beneficiary whether a client of the bank or not. The bonds are redeemed on presentation at the office of the "Recettes des Finance" in Cherbourg. As a matter of fact interest is currently being paid on other bonds of public authorities such as those of the City of Paris which are not obligations of the Republic.

7. Foreign Exchange.

a. Exchange rates.

Some Allied Officers stated that from the point of view of purchasing power, the value given to the franc vis-a-vis the dollar and the pound is quite high. The purchasing power of the American soldier, for example, is less in France than it would be in the United States. In terms of respective currencies, such goods as one may purchase in Normandy are more expensive to Allied troops than they were to the enemy. In some cases, this rate has reacted unfavorably upon the French where prices have been so high as to dissuade the GPs from purchasing local production surpluses.

b. Circulation and Controls.

The plans devised for foreign exchange controls appear to be working in practice.

The import, export, holding, transfer or dealing in US or British currencies by US personnel in liberated France is prohibited by special orders issued by HQ ETOUSA on 24 June 1944 and by COMNAVSEA on 23 June 1944. These orders apply not only to Military and Naval personnel but also to officers and men of US controlled merchant vessels and civilians accompanying and serving with the US Army and US Navy. Orders previously issued apply to British personnel.

These orders have been called to the attention of the personnel of Allied Forces by posting and publication in administrative orders. The majority of military personnel knew that the importation of sterling or dollar currencies into France is prohibited and may subject the offender to trial by Courts Martial. Troops were provided with facilities for exchanging their sterling currency into French currency while they were in marshalling areas prior to embarkation. These facilities apparently worked very well as only in rare instances did units leave for the operation before the exchange of their currency was completed.

Early in June a few soldiers tried to dispose of a trifling number of sterling notes. These men apparently belonged to those few formations which could not be provided with exchange facilities before departure for France. The necessary facilities were made available to them on the other side and since then there has been no evidence of troops trafficking with the public in these currencies.

There appears to be no appreciable quantity of sterling in circulation among civilians. No instances are reported of officers or troops exchanging sterling in banks or selling it to civilians since the first few days after D-Day.

In the British sector, Major Chapman, 3 Forward Base Pay Office, stated that he had changed about £50,000 into francs. He considers this a very large sum since officers and other ranks were supposed to exchange all English funds for Metropolitan or Supplemental francs in England. Other ranks (enlisted men) were permitted to bring in only 200 francs each. Major Chapman believes that some English pounds are sent to officers and men in France in the mail. It should be noted, however, that so long as Allied personnel exchange their sterling in Army Finance Offices, exchange control continues to be effective.

It must not be presumed, however, that there are no dollars or pounds in the possession of civilians or banks. It is not believed that they are present in large quantities, however, since such currencies were called for deposit with the French Government and a substantial period of time has elapsed during which they might have been discovered and deposited with official agencies.

There is no evidence whatsoever of Allied troops purchasing dollars, sterling or other foreign currencies from the public. Finance officers who receive requests to exchange French francs in large amounts exceeding normal pay, require the person desiring the exchange to submit a written statement to the effect that the francs were acquired legally. If they have any reasonable doubt concerning the acquisition of money presented for exchange, Finance Officers report the facts to their commanding officer for proper action.

8. Prices and Rationing.

The investigation indicated that the tendency of prices, legal maximum as well as actual, is down, notwithstanding the sudden injection into a relatively small area of vast ~~sums~~ entitled to receive large sums of money and usually free spendings.

The success of the program to limit soldiers' spendings and increase soldiers' savings indicated above has undoubtedly played a part in keeping prices in line. Confidence in the currency has also been important.

The most important factors, however, have been a willingness on the part of the French to adhere to their own legal prices now that they are liberated, and the availability of a large supply of basic and essential edible commodities which were formerly requisitioned or purchased by the Germans, or exported to other portions of France, now cut off by lines of combat. It is said that the Germans requisitioned or purchased at black market prices, for export to Germany, 90% of the dairy products and 80% of the meat products of Normandy. The Germans are accused of having deliberately encouraged black markets in order to raise prices above those the French could afford to pay. This enabled them to purchase commodities which normally Frenchmen would have purchased. By using this technique, it is said, the Germans expected to avoid the onus of removing food from the inhabitants of producing areas and largely curtailing the amount available for distribution throughout France, by insinuating that the market was open to all equally, and it was the French who operated the black markets.

Exhibit 7 shows the maximum legal prices in the Department of La Manche for the months of January through July, 1944. Exhibit 8 shows the maximum legal prices for the months of January through August, 1944 for the Department of Calvados. Exhibits 9 and 10 show the ration scales of edible products in the months of January through August in La Manche and Calvados.

It will be noted from these exhibits that, except where certain products are different or have been altered, either as a result of improved ingredients or seasonably, (e. g. "new" potatoes), the tendency of prices has been uniformly down. Actual prices are very often below the legal maximum prices, a situation unknown during the German occupation. On a tour through the areas of Beaumont, Les Pieux, Octeville, Quorquerville, Barneville, Equardville, Auderville, Benoistville and Pontenoy many instances of sales of rationed commodities at retail prices substantially below the legal maximum were observed. In the Pontenoy area butter could be purchased for 50 francs per kilogram, and in Les Pieux at 60 francs, although in Cherbourg it was 63 francs, the legal maximum. Capt. Kelley (US), Commanding Officer of the CA Detachment in the Les Pieux area, stated that all foods were present in abundance and were obtainable at prices substantially below the legal maximum. He stated that when he arrived in that area in mid-June, wine was sold at 20 francs per glass, but in the period of 6 weeks which had elapsed since then, the price had declined to 12 francs per glass. Milk could be purchased at 2.5 francs per litre compared with the legal maximum of 3.5 francs in July. Capt. Lawrence (US) CA Officer in the Octeville area reported the same general conditions throughout his command.

It was noted that one was always able to obtain the full amount of the ration, with the possible exception of bread. The supply of bread was generally short, but the ration was made up by the distribution of biscuits provided from CA supplies. Before D day it was frequently impossible to obtain rations.

The same conditions existed in the areas of Isigny, Carentan, La Haye des Puits, St. Souver le Vicomte, St. Marc Eglise, St. Pore Eglise, Bricquebec, Valognes and Montebourg. For example, in the Bricquebec area, around which the 3rd US Army was encamped, fresh butter was obtainable at 50 francs per kilogram contrasted with the legal maximum of 63. Meat, milk, cheese and eggs were all below the legal maximum. Capt. Vondig, CA Officer in Bricquebec, reported that chocolate bars exchanged for eggs at the rate of 4 fresh eggs for one chocolate bar, but that lately the exchange was somewhat increased, and one could obtain only 3 fresh eggs. He stated that cider and wine had likewise fallen in price, despite the influx of troops.

In Bayeux, a town with a normal population of 8,000, which at the time of the survey had increased to 18,000 ~~and~~ 20,000 persons, because it was completely undamaged by operations, the same story of prices and supplies was told. Tremendous quantities of perishable products were on display and for sale below the maximum legal prices. Except in the bakeries, there were no queues of customers. Milk was 5 francs per litre, butter 63 francs per kilogram, Camembert cheese 11 francs per box.

In St. Lo, Montebourg and Caen the extent of destruction was such that the towns are practically obliterated, except that Caen has portions more or less undamaged. In the areas in which the towns of Courselles, Creully, Thacn, Coulamb, Canilly, Le Menoir, Arramanche are located, the same picture of prices and rations emerged.

In Bayeux, some stores selling dairy products had signs reading "Butter, any quantity, for sale". It was possible to procure in such stores cheese and butter at 10 % and 15 % below the maximum legal retain price, if a quantity was bought.

In addition to the rationed items shown on Exhibits 7,8,9, and 10, large supplies of fresh radishes, artichokes, lettuce, cauliflower, onions, scallions, cabbage and some fresh fruits, (notably apples and rhubarb) were on display and sale without ration. Although meat, butter, cheese, milk and potatoes appear on the ration list, it was possible to buy openly practically any quantity without difficulty and without ration tickets at prices below the maximum legal prices.

Col. Gunn (US), Lt.Col. Barrett (US)(both of First US Army, G-5) and Maj. Dauncey (Br), Finance Officer attached to 210 CA Detachment, Bayeux, estimated that the total value of all supplies delivered to the French ~~by~~ ^{C.A.} in the Departments of Calvados and La Manche up to August 5, 1944, did not exceed 15 million francs and that large portions of the supplies delivered had not yet been consumed.

Large supplies of native foods were available, notwithstanding some purchases of perishables by the Armed Forces in accordance with requests made officially by the French, usually by a Mayor of a commune. For example, the procedure in effect in the U.S. Sectors, was for the Mayor of a commune to state that in his commune the supply of perishables was more than adequate for all its needs and purchasers, and that in order to avoid spoilage, he desired the Armed Forces to purchase such quantities of such commodities as he would enumerate for immediate consumption. Thereupon the Army units in that area would make the necessary purchases through him or as he arranged.

Interviews with Maj. Houlehan, General Purchasing Agent in Cherbourg Command, Advance Section, Communication Zone, and Lt. La Croix of his office, revealed that they knew of no purchases illegally except one instance where one of the divisions of the First US Army slaughtered a bunch of cattle in a combat area and then requested permission to purchase and pay for them. Such permission was given. Capt. Logan, Cherbourg Quartermaster Depot Class I reported that Capt. Coats of the General Purchasing Agent's Office, Advance Section Communication Zone had bought about 10 tons of vegetables, not all of which had been delivered, for the total price of approximately 100,000 francs. This purchase was made after a study by Captains Coats and King had disclosed large surpluses of vegetables which would have spoiled had there been no buyer for immediate consumption. Capt. Logan stated that farmers complained that there is no use spending funds harvesting perishable commodities if there is no immediate buyer. They would prefer to save the money it would cost to bring in their crops. The Army, therefore, decided to allow purchases by units in the manner indicated.

In the British sector, at the request of the French authorities, and with their agreement, units were permitted to make certain purchases as indicated in Exhibit 5. It is believed that the total volume of all purchases of commodities was not very large, considering the number of troops in the area. At any rate, despite such purchases, the supplies of food available were conspicuously abundant.

Substantially all essential commodities were rationed in France during the German occupation. Immediately after liberation, partly because of the availability of excess supplies, but primarily because of the lack of qualified personnel, the entire control apparatus for the collection, storage, and distribution and rationing of foodstuffs and prices was permitted to fall into temporary disuse. More recently, however, in anticipation of the shortage in supplies in the interior of France, steps have been taken by French authorities, with the assistance of Allied Military Civil Affairs specialists, to put the machinery into full operation again. The rationing of all commodities on the ration list has gone into effect on 1 August 44. New ration cards printed in advance of liberation by SHAEF have been furnished to the French authorities and are being distributed. At the same time, the prohibition against purchases by the troops has been resumed in order that the sale of products against ration coupons may be enforced upon the merchant. Moreover, the program for storing preservable products for use in the interior has also been intensified.

In this connection, it may be noted that Lt. Col. Scarlett (Br), Deputy Chief Financial Officer, Civil Affairs, Second Army, and Major Dauncey (Br), Financial Officer, Lines of Communication, attached to 210 CA Detachment, Bayeux, both expressed the opinion that restrictions on purchases of such commodities may encourage the return of black markets. These officers feel that people accustomed to more than the ration will patronize French processors and wholesalers, who will buy crops from farmers who soon will have to sell their crops or see them wasted. Lt. Col. Scarlett and Maj. Dauncey further said that the French authorities do not yet have adequate storage, refrigeration or distribution facilities and hence they doubted the success of the plan to stock-pile the available perishable commodities for later use in other areas.

9. Black Markets.

As appears from the foregoing discussion of prices and rationing, the black markets have become extinct, except in a very few commodities such as white bread, coffee, sugar, tea, petrol, tobacco and some other luxuries. It is believed that there is a black market in clothing, but the writer was not able to obtain any reliable and tested information concerning this.

White bread can be obtained on the black market in Bayeux at a cost of approximately 30 francs per loaf weighing a little less than 2 pounds, but the quantity of such bread available and the size of the black market has been very materially reduced since D-Day.

White flour used to cost 15-18 francs per kilogram from the farmer and about 25 francs per kilogram in the stores. Until D-Day nearly any reasonable quantity could have been purchased. Even cakes and tarts could be bought freely and openly, although they were made from white flour and sugar both severely rationed.

In Caen the price of sugar was 100-150 francs per kilogram in lots of 5 kilos, but it was very difficult to obtain.

Before D-Day meat, including pork products, was easy to obtain in the Bayeux area despite rationing. Although the weekly ration was 90 grammes per person, one could obtain on the black market nearly any amount at a price of 120 - 140 francs per kilo. In the shops where the maximum legal price was 60 francs per kilo, it was a common device for butchers to add extra bones to the weight of the meat so that the price charged was actually 120 - 140 francs per kilo.

Prior to D-Day the ration of butter was divided into two fortnightly issues of 40 grammes per person, but usually no butter was obtainable for the second fortnight of the month. Even when butter rose to 200 francs per kilo on the black market, it was largely unobtainable as the Germans paid 400 francs per kilo.

Although milk was restricted to children and sick persons, it was obtainable fairly easily in the Normandy Country region, sometimes at the maximum legal price and sometimes at various prices up to double the maximum price.

Similarly, potatoes were rationed, but in the countryside outside Bayeux and Cherbourg and in other sectors of Normandy, they could be obtained in very large quantities at 5 francs per kilo.

Clothing, blankets and similar articles were and still are difficult to obtain. During the period of occupation, special tickets (bons) were necessary, and it was a most common occurrence for the office which distributed such tickets to run out of the quantity scheduled for distribution in any particular period so that persons who were actually entitled to receive them found they could not be obtained. Necessary clothing was most difficult to obtain. Shops had some fancy materials but not those in essential demand.

Since liberation there has been a very noticeable change in the attitude of store keepers. They are now engaged in regaining the good graces of their customers whom they treated in a cavalier fashion during the four years of occupation.

The attitude of the Allied forces in respect of black market operations has been exemplary. Some talk has been heard to the effect that Air Force personnel are paying prices in excess of the maximum established prices for food, especially beef. However, it was not possible to verify the truth of these rumours. A certain amount of tobacco products is being distributed by individual troops for foodstuffs, but there does not appear to be any important quantities of such products offered for sale by military personnel.

If the existing attitude continues for a period of 4 to 6 months longer, French officials and civilians say the black markets in liberated France will disappear as the French themselves cease to patronize them in areas as they become liberated.

A refugee recently from Paris informed the writer that in that city butter used to cost 600 to 800 francs per kilo on the black market, but at the present time appears to be selling for approximately 1200 francs. Clothes, railway and hotel accommodations, meals in restaurants in larger cities are all obtainable in exchange for butter, milk or cheese offered by the farmers. Cheese could be obtained on the black market only. It had no *matiere grasse*, the fatty matter which really makes the cheese. In the absence of this ingredient, the cheese tends to be completely chalky. Black market cheese was usually better, but cost nearly double the legal price. None was obtainable at the legal price before D-Day.

The refugee indicated that the food situation in all larger cities in certain occupied France is critical.

10. Labor and Wages.

Although normal industrial activities are largely at a stand still, the Allied Forces are faced with a conspicuous shortage of labor. This is due principally to two factors. The enemy has evacuated a substantial number of workers before leaving the area and the number of males of working age, able or willing to do the kind of labor desired, appears to be very small. The Army's requirements call for heavy workers, the number of which is relatively small in Normandy even under normal conditions due to the lack of opportunity for heavy industrial employment in a predominantly agricultural area. Those seeking heavy work tend to drift to other parts of France. In Cherbourg some 4,000 people were on relief at the beginning of August. Some of these were physically able but none was said to be capable of heavy work required at the docks.

Lt. Col. Howley (US), Commanding Officer and Major Lokerman (BR) Economics and Labor Officer in the M.L.I. Detachment (Cherbourg) stated there was a shortage of 2,000 laborers desired by the Armed Forces.

In the British sector, Captain Morrell (US) of the 210 CA Detachment, Bayeux, was engaged in trying to find labor in camps for displaced persons and refugees, but the shortages had not been eliminated. The British Forces had set up a permanent labor exchange through which labor was hired and kept track of to enable the registered laborers to go from one job to another without anytime lost between jobs. In the American Sector no office permitting such control of labor had been set up by the military. The French had begun the operation of labor exchanges, too, but their effectiveness was not yet ascertainable.

Official wage rates are now somewhat higher than before liberation but the actual wage income of workers is substantially lower. It is reported that the enemy paid whatever wage was necessary to procure the labor required, without reference to official wage scales. As a result, the wage income of many workers was very high. Allied forces are adhering to the uniform wage scale developed in cooperation with the French.

The new wage scale provides for payment of family allowances in accordance with French laws, and became effective as of 1 August 1944. Although this wage scale is lower than the rates frequently paid by the Germans, it was expected to prove satisfactory in meeting the demands for higher pay and perhaps to attract additional workers.

11. Production.

The principal industry in Normandy is agriculture. Although this

year some of the crops, particularly fruit, is reported to be above average, the output will be substantially below normal, due to circumstances attending military operations. Many civilians have fled the area to seek shelter. Farm buildings, livestock and equipment have been destroyed. During June and July, owing to the concentration of troops in a relatively small area, it was necessary to requisition much agricultural land for landing strips, camp sites, operational depots and supply dumps, leaving some herds without adequate grazing grounds and encouraging the slaughter of animals.

Normandy is a great cider producing region and it was stated to the writer that this year, notwithstanding military operations, the biggest harvest of apples in 10 years is expected.

Second in importance in the area is agricultural processing, notably processing of dairy products. The effect of military operations has been particularly severe. Refrigeration, transportation and power facilities, as well as materials used in processing are lacking. A group of agricultural specialists are now at work on this problem and it is expected that some processing will soon be underway. There are several hundred tons of butter and cheese in Normandy alone which are available for processing during summer months. Already some butter has been salted and cheeses have been altered to make them suitable for storage. For processing such items as twine, grease-proof paper and sacks, still in short supply, are being procured.

Fishing was also interrupted but in cooperation with the Naval authorities, plans have been worked out to permit the resumption of fishing activities as rapidly as circumstances permit. Fish is already appearing, but in very small quantities, on some local markets.

Local credit facilities are more than adequate for financing such enterprises as require assistance. No action of this nature is needed from Civil Affairs in Normandy and none will apparently be required in the other parts of France.

HIRM S. GJNS
1st Lt. Signal Corps
Financial Branch, G-5

TRANSLATION.EXHIBIT 1.
BAYEUX 31 July, 1944.Commissariat for Finance
Office of the Inspector General of Finance.

.....
General remarks on price levels, cost of living and the monetary problem in the liberated zone.

It must have already appeared from indications given up to now, that the monetary problem in Calvados does not now present any serious difficulties, and in fact the characteristic signs of a flight from currency which were frequently observed in Corsica, particularly in the excessive trade in unperishable products, prices charged in black market restaurants, the trade in gold, foreign currency etc., have practically not appeared up to the present time. It has already been said, moreover, that the pound sterling note was being traded unofficially at approximately the legal rate; the exchange of gold coin indicated in Annex I should be considered with caution. Finally, even though in this case it has been possible to make only a superficial examination up to now, the number of deposits in savings and commercial banks seems to continue favourably (probably as a substitute for hoarding, which has been made expensive by military operations and by destruction). A similar indication can be seen in the table of subscriptions for Treasury Bonds at the Caisse du Receveur-Percepteur in Bayeux (Annex V). It is true that the price of real-estate has not been studied up to the present; as for household goods, they should not be regarded too closely, considering the risks of destruction. Finally, although again in this respect it is a question of impressions rather than of facts and a more thorough study must be made, the monetary situation has not worsened since liberation and I should be even tempted to write that it has improved.

Actually, the technical position of currency is better. If the last balance of the Bank of France, previously reported points out a rapid increase in circulation in France, if the proportion of circulation per head has risen (see report of the Inspector of the Bank of France Annex VI), if the tendency to inflation has remained, it is nevertheless influenced by many factors which have worked against it:

- a) It is probable, without my having any exact indication on this point, that the sums of money put into circulation by the Allies, are up to the present relatively limited. This is borne out by the statement frequently made by Allied paymasters, who have noted that practically the entire sums paid to the troops have been returned in the form of deposits (this must be modified by the fact that the soldiers undoubtedly arrived with small amounts of French money).
- b) It seems very certain in many cases that the rate of net increase in the circulation of bank notes has not continued. This rate, if one computes for the whole of France, on the basis of a weekly figure of four billion and of a total circulation of 15 billion for the two departments (out of a total of 550 billion) would previously have been equivalent to a theoretical value of 108 million per week. Reducing this figure to three-eighths (approximate proportion, actually slightly less, of inhabitants in the liberated zone in proportion to the total population in the two departments) one obtains the sum of 45.6 million per week, which is certainly a larger sum than the total amounts put in circulation by the Allies and by the French authorities. For the sake of simplicity, all of the figures above have been roughly calculated and are simply approximate. It is understood that all of the hypotheses shown by this calculation leaves it open to question. I consider it very significant nevertheless.
- c) At the same time, the number of products placed on the market has increased (see above).

(over).

Regraded Unclassified

Exhibit 2.

(Extract from "SHAEP's Program to Limit the Inflationary Effects of Military Operations" Shaef, Financial Branch, G-5 Division, 3 June 44).

SUPREME HEADQUARTERS
ALLIED EXPEDITIONARY FORCE
G-5 DIVISION.

SHAEP/G-5/FR/106.

3 June 1944.

SUBJECT: Spending by Allied armies in France.

TO : Chief of Staff, Supreme Headquarters, A.E.F.

Reference your note concerning subject cable.

SHAEP and subordinate echelons have taken a whole series of measures to reduce the impact on the French economy of purchases by the Allied armies and the personnel thereof.

1. Facilities in the American army for voluntary allotments, remittances, savings deposits, purchase of war bonds and insurance, and at post exchanges, quartermaster stores, etc., have resulted in the U.S. Army personnel spending only a small fraction of their pay in the foreign theater in which they are. In Sicily and the Italian mainland, U.S. Army personnel spent from 15% to 25% of their pay. In Britain, U.S. Army personnel spend 25% of their pay. Every effort is being made to encourage the increased voluntary use of such facilities by Army personnel in connection with operations in Northwest Europe.

2. Special Service is planning to extend its recreational facilities for army personnel and to facilitate the establishment of civilian concessionaires at Army posts. The Army Exchange Service is planning an extended service, and will include an extensive line of souvenirs, including souvenirs acquired in liberated areas. It is hoped that this will reduce money spent locally and unwisely by Army personnel.

3. A public relations and educational campaign is being conducted to make troops understand the harmful effect of their spending on the economy of the countries which we are liberating, and the desirability of their saving money for their post-war activities.

4. Orders have been issued by SHAEP prohibiting troops from making any local purchases for individual use (including food in restaurants). Only after a study of local conditions will this prohibition be lifted to the extent warranted by local supply conditions.

5. Military formations have been authorized to place off-limits retail establishments, including restaurants, and to observe closely prices charged and quality of merchandise in establishments which military personnel are permitted to use.

6. In view of the rate of exchange which has been fixed for the French franc, prices in France are likely to be comparatively high, and this, together with the shortage of goods, will discourage purchases by Army personnel.

7. Neither compulsory limitation of amounts which soldiers may spend abroad nor payment of a greater part of soldiers' pay in coupons valid only in U.S. Army Exchanges will reduce the amount of soldiers' expenditures for goods and services in France, since based on experience in Italy and England, the average soldier is not likely to spend more than 25% of his pay in France.

8. Army personnel are prohibited from importing or dealing in U.S. dollars and pound sterling currency, so as to discourage black market transactions that would depreciate the value of the French franc below the officially decreed rate of exchange.

(over)

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TRANSLATION.

EXHIBIT 1.

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Commissariat for Finance
Office of the Inspector General of Finance.

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Actually, the technical position of currency is better. If the last balance of the Bank of France, previously reported points out a rapid increase in circulation in France, if the proportion of circulation per head has risen (see report of the Inspector of the Bank of France Annex VI), if the tendency to inflation has remained, it is nevertheless influenced by many factors which have worked against it:

- a) It is probable, without my having any exact indication on this point, that the sum of money put into circulation by the Allies, are up to the present relatively limited. This is borne out by the statement frequently made by Allied paymasters, who have noted that practically the entire sum paid to the troops have been returned in the form of deposits (this must be modified by the fact that the soldiers undoubtedly arrived with small amounts of French money).
- b) It seems very certain in many cases that the rate of net increase in the circulation of bank notes has not continued. This rate, if one computes for the whole of France, on the basis of a weekly figure of four billion and of a total circulation of 15 billion for the two departments (out of a total of 550 billion) would previously have been equivalent to a theoretical value of 108 million per week. Reducing this figure to three-eighths (approximate proportion, actually slightly less, of inhabitants in the liberated zone in proportion to the total population in the two departments) one obtains the sum of 45.6 million per week, which is certainly a larger sum than the total amounts put in circulation by the Allies and by the French authorities. For the sake of simplicity, all of the figures above have been roughly calculated and are simply approximate. It is understood that all of the hypotheses shown by this calculation leaves it open to question. I consider it very significant nevertheless.
- c) At the same time, the number of products placed on the market has increased (see above).

(over).

Regraded Unclassified

Exhibit 1 (Contd).

d) Finally, another factor assists in the reduction of the total sums in circulation to a large degree; this is the factor of loss and destruction - the refugees are far from able to make use of their normal purchasing power, even taking into account the allowances paid to them by the State.

In conclusion, it must be noted that the action of the Allies in regard to withdrawals of money (immediately recovered by the Importation Service from the wholesalers) against delivery of produce, as questionable as it may be in certain respects, exerts a favourable influence on the circulation of currency; this influence is exactly the opposite to that of the German withdrawals (shortage of merchandise, increase in currency).

On the whole, I repeat the position of currency appears to me to be technically better than before. It is a satisfactory situation although of limited implication, since on one hand the emission of currency must increase in occupied territory, and on the other hand it would be necessary to face needs in liberated territory which far surpass the resources available.

.....

Exhibit 2.

(Extract from "SHAEP's Program to Limit the Inflationary Effects of Military Operations" Shaef, Financial Branch, G-5 Division, 3 June 44).

SUPREME HEADQUARTERS
ALLIED EXPEDITIONARY FORCE
G-5 DIVISION.

SHAEP/G-5/FIN/106.

3 June 1944.

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2. Special Service is planning to extend its recreational facilities for army personnel and to facilitate the establishment of civilian concessionaires at Army posts. The Army Exchange Service is planning an extended service, and will include an extensive line of souvenirs, including souvenirs acquired in liberated areas. It is hoped that this will reduce money spent locally and unwisely by Army personnel.
3. A public relations and educational campaign is being conducted to make troops understand the harmful effect of their spending on the economy of the countries which we are liberating, and the desirability of their saving money for their post-war activities.
4. Orders have been issued by SHAEP prohibiting troops from making any local purchases for individual use (including food in restaurants). Only after a study of local conditions will this prohibition be lifted to the extent warranted by local supply conditions.
5. Military formations have been authorized to place off-limits retail establishments, including restaurants, and to observe closely prices charged and quality of merchandise in establishments which military personnel are permitted to use.
6. In view of the rate of exchange which has been fixed for the French franc, prices in France are likely to be comparatively high, and this, together with the shortage of goods, will discourage purchases by Army personnel.
7. Neither compulsory limitation of amounts which soldiers may spend abroad nor payment of a greater part of soldiers' pay in coupons valid only in U.S. Army Exchanges will reduce the amount of soldiers' expenditures for goods and services in France, since based on experience in Italy and England, the average soldier is not likely to spend more than 25% of his pay in France.
8. Army personnel are prohibited from importing or dealing in U.S. dollars and pound sterling currency, so as to discourage black market transactions that would depreciate the value of the French franc below the officially decreed rate of exchange.

(over)

Regraded Unclassified

Exhibit 2 (Contd).

9. It is believed that there are no further measures which we can take at the present time to control the expenditure of Army personnel, except to see that the program which has been laid down is carried out.

Additional anti-inflationary measures.

10. SHAEF has issued orders to lower echelons prescribing that wages paid for French labor and prices paid for French goods should be in accordance with legally established French rates. As a guide, a schedule of wage rates was prepared on the basis of available information about French wages. The prices at which imported goods are being sold to the French authorities were set on the basis of information about existing prices in France obtained from French authorities and US/UK sources, so that the goods could be sold to ultimate consumers at the legally established French retail prices. SCAEF has also ordered that, where practicable, no purchases will be made of local goods that will have to be replaced by imports.

11. Without prejudice to the ultimate financial settlement between the governments concerned, the supplies of Civil Affairs goods that are being imported into France will be sold to the public at prevailing local prices, even though such prices are lower than landed cost. This will help maintain stability of prices.

12. It is our program to do everything within our power to assist the French authorities to stabilize wages and prices and to reduce to the minimum the impact of the armies on the local economy.

13. Attached is a memorandum giving in greater detail SCAEF's program to control expenditures of army personnel and to control wages and prices. For this program to be successful, the cooperation of the French authorities is essential.

A. E. GRASSETT
Lieutenant General
Assistant Chief of Staff, G-5.

BB/ms
Enc.1.

Exhibit 3.

RESTRICTED

SUPREME HEADQUARTERS
ALLIED EXPEDITIONARY FORCE.

20 May 1944.

ANNEX 'A')
ADMINISTRATIVE MEMORANDUM)
NUMBER 6)POLICY FOR PAYMENT OF SUPPLIES, FACILITIES AND
SERVICES IN LIBERATED TERRITORIES AND PROHIBITIONS
WITH RESPECT TO SUCH PROCUREMENT.

(Reference is made to paragraph 1, Administrative Memorandum No. 6, this Hq, cs)

Method of Payment. 1
Prohibition of Purchases. 111. METHOD OF PAYMENT.

1. Wherever possible local procurement in Liberated Territories will be effected by requisition through local civilian authorities and in accordance with local law. Payment will be deferred until Reciprocal Aid or other Agreements have been negotiated with the government concerned except as provided in paragraphs 2a and b.

2. a. Until further order from this headquarters, BRITISH/US Forces will pay for required civilian labor and billets.

b. BRITISH/US Forces may pay for supplies, facilities and services (including the use of real estate) whether procured by requisition or purchase:

- (1) In the case of the less important procurements, or where
- (2) Hardship would result from delay in payment, or where
- (3) Payment is desirable for operational or security reasons.

c. Prices paid by BRITISH/US Forces will be in accordance with official prices and scales of wages where these have been made available. If unavailable, local official prices will be ascertained and used.

11. PROHIBITION OF PURCHASES.

1. BY AUTHORIZED BRITISH/US PROCUREMENT AGENCIES. a. No purchase or requisition of the following major commodities will be effected by local procurement agencies of BRITISH/US Forces:

- (1) Food in all its forms, except fresh fruit and vegetables.
- (2) Livestock and fodder for livestock.
- (3) Medical and sanitary supplies, including soap.
- (4) Fuel, coal, petrol, oil, lubricants and fuel wood with the exception of such fuel wood as may be obtained by ~~exploitation~~ of forests.

This list of items is subject from time to time to deletion or addition.

b. In addition to the foregoing restrictions or similar future restrictions issued by this headquarters, any commodities which are in short supply in any area may be made the subject of a prohibition of purchase order in that area by local commanders. In such cases, a report will be made through channels to this headquarters.

Exhibit 3 (contd).

2. BY INDIVIDUAL MEMBERS OF BRITISH/US FORCES. In order to prevent inflation and the depletion of available stocks, members of BRITISH/US Forces are prohibited from making any local purchases for individual use (including the purchase of food in restaurants).

3. This order will be strictly enforced, but, if after study of local conditions, Commander-in-Chief, 21 Army Group, sees fit, he may relax the provisions of this instruction, informing this headquarters of the action taken.

By command of General EISENHOWER:

E. C. BOEHMKE
Colonel, A.C.D.
Adjutant General

DISTRIBUTION:

"D"

EXHIBIT 4.R E S T R I C T E D .

HEADQUARTERS
ADVANCE SECTION
COMMUNICATIONS ZONE
APO 113

26 May 1944.

PROCUREMENT MEMORANDUM)

NUMBER..... 3)

PROHIBITION OF PURCHASES

1. No purchase or requisition of the following major commodities will be effected by Purchasing and Contracting Officers, or by any local procurement agents or agencies of the US Forces:

- a. Food in all its forms, except fresh fruit and vegetables.
- b. Livestock and fodder for livestock.
- c. Medical and sanitary supplies, including soap.
- d. Fuel, coal, petrol, oil, lubricants and fuel wood with the exception of such fuel wood as may be obtained by exploitation of forests.

2. The above list of items is subject from time to time to deletion or addition.

By command of Brigadier General PLANK:

HUGH CORT
Colonel, GSC.,
Chief of Staff.

OFFICIAL:

JEFFERSON E. KIDD,
Colonel, AGD.,
Adjutant General.

DISTRIBUTION C-1.

(over).

(ENGLISH PORTION)

N O T I C E

REGULATIONS CONCERNING THE SALE AND PURCHASE
OF FOOD AND RATIONED COMMODITIES
TO ALLIED TROOPS

The present policy of the Allies is to preserve all existing food stocks and other rationed commodities for the consumption and use of the civil population. With this object in view the sale of all rationed goods to members of the Allied forces has been prohibited, except in the case of meals taken by soldiers in hotels, restaurants, cafes etc., but food may not be purchased and carried away. All restaurants, eating houses and places of amusement will close to Allied soldiers at 21.30 hours daily.

In the villages bordering on the fighting line, where by reason of military operations distribution to towns of existing food supplies may be difficult, villagers are permitted to sell surplus supplies (except Bread, Meat and potatoes) to Allied Troops. Such sales will be strictly controlled by the Mayors who will arrange for sales to take place in a central market in each village.

The following maximum prices will not be exceeded:

EGGS.	24 fr. per doz.
BUTTER	60 fr. per kilo
MILK.	4 fr. per litre
CHEESE.	10 fr. per cheese
VEGETABLES (excluding potatoes)	10 fr. per kilo (approximately)

Signed:

Sous-Préfet.

Counter signed:

Civil Affairs Officer.

AVIS**Règlement concernant la vente et l'achat
de produits alimentaires et autres produits
sous rationnement aux troupes alliées**

La politique actuelle des alliés est de conserver tous les produits alimentaires et autres produits rationnés pour la consommation et l'usage de la population civile seulement. Dans ce but, la vente de tous ces produits est prohibée aux troupes de l'armée, exception faite des hôtels, restaurants, cafés, etc., où ces produits pourront être consommés mais non livrés.

Les restaurants, salles à manger et les lieux d'amusement fermeront leur porte aux troupes de l'armée à 21 h. 30 chaque jour.

Dans les villages situés dans la zone combattante, où, pour des raisons d'opérations militaires, il serait difficile de faire la livraison des produits existant aux villes avoisinantes, il est permis aux villageois de vendre le surplus de ces produits (à l'exception de la viande, du pain et des pommes de terre) aux troupes de l'armée.

Ces ventes devront se faire strictement sous le contrôle du Maire qui prendra les dispositions nécessaires pour que ces ventes se fassent dans un marché central dans chaque village.

Les prix maxima suivants ne devront pas être excédés :

Céufs	24 fr. la douzaine
Beurre	60 fr. le kilo
Lait	4 fr. le litre
Fromage	10 fr. la pièce
Légumes (à l'exception des pommes de terre)	10 fr. le kilo (prix moyen)

Signé :

Sous-Préfet.

Contresigné :

Officier des Affaires Civiles.

NOTICE**Regulations concerning the sale and purchase
of food and rationed commodities
to Allied Troops**

The present policy of the Allies is to preserve all existing food stocks and other rationed commodities for the consumption and use of the civil population. With this object in view the sale of all rationed goods to members of the Allied forces has been prohibited, except in the case of meals taken by soldiers in hotels, restaurants, cafes, etc., but food may not be purchased and carried away. All restaurants, eating houses and places of amusement will close to Allied soldiers at 21.30 hrs daily.

In the villages bordering on the fighting line, where by reason of military operations distribution to towns of existing food supplies may be difficult, villagers are permitted to sell surplus supplies (except Bread, Meat and potatoes) to Allied Troops. Such sales will be strictly controlled by the Mayors who will arrange for sales to take place in a central market in each village.

The following maximum prices will not be exceeded :

Eggs	24 fr. per doz
Butter	60 fr. per kilo
Milk	4 fr. per litre
Cheese	10 fr. per cheese
Vegetables (excluding potatoes)	10 fr. per kilo (approximately)

Signed :

Sous-Préfet.

Counter signed :

Civil Affairs Officer.

EXHIBIT C.

COLUMNE D.

TERritoIRES LIBERES DU DEPARTEMENT DU CALVADOS

IL EST INTERDIT
IT IS FORBIDDEN

DE VENDRE OU DE CIDER
TO SELL OR TO GIVE IN EXCHANGE

A UN MEMBRE DES FORCES ARMEEES ALLIEES
TO A MEMBER OF THE ALLIED ARMED FORCES

VIANDE	MEAT
OEUFS	EGGS
PAIN	BREAD
FARINE	FLOUR
LEGUMES	VEGETABLES
VETEMENTS ET	CLOTHING AND
CHAUSSURES	FOOTWEAR
pour hommes, femmes ou enfants	men's, women's, or children's

SOUS N'IMPORTE QUELLE FORME

IL EST INTERDIT AUX FORCES ALLIEES
IT IS FORBIDDEN TO THE ALLIED

ALLIEES DE LES ACHETER OU
FORCES TO BUY THESE GOODS OR

ACQUERIR EN ECHANGE
ACQUIRE THEM BY BARTER

Sous peine de
poursuites
Correctionnelles

By order of
the Military
Commander

Imp. COLAS, Bayeux -- 9573

Commune d _____

Exhibit 6.

TERRITOIRES LIBÉRÉS DU DÉPARTEMENT DU CALVADOS

IL EST INTERDIT IT IS FORBIDDEN

DE VENDRE OU DE CÉDER
TO SELL OR TO GIVE IN EXCHANGE

A UN MEMBRE DES FORCES ARMÉES ALLIÉES
TO A MEMBER OF THE ALLIED ARMED FORCES

VIANDE

ŒUFS

PAIN

FARINE

LÉGUMES

**VÊTEMENTS ET
CHAUSSURES**

pour hommes, femmes ou enfants

MEAT

EGGS

BREAD

FLOUR

VEGETABLES

CLOTHING AND
FOOTWEAR

men's, women's, or children's

sous n'importe quelle forme

**IL EST INTERDIT AUX FORCES ARMÉES
IT IS FORBIDDEN TO THE ALLIED**

**ALLIÉES DE LES ACHETER OU
FORCES TO BUY THESE GOODS OR**

**ACQUÉRIR EN ÉCHANGE
ACQUIRE THEM BY BARTER**

Sous peine de
poursuites
Correctionnelles

By order of
the Military
Commander

Maximum Legal Prices - Department of LA MANCHE, FRANCE.

January - July, 1944

Commodity	Unit	Jan	Feb	March	April	May	June	July	Remarks
Bread	1 Kilogram	fos 3.70	3.70	3.70	3.70	3.70	3.70	3.70	All prices are retail, in francs Actual price is legal maximum.
Ment	1 Kilogram								
Beef	"	61.	61.	61.	61.	61.	61.	60.	Actual price between 52 and 60
Veal	"	59.5	59.5	59.5	59.5	59.5	59.5	55	Actual price between 49 and 55
Mutton	"	67.	67.	67.	67.	67.	67.	65	Actual price between 59 and 65
Butter	"	67.5	67.5	67.5	67.5	77.4	77.4	63	Actual price July Cherbourg area 50-63 fos; margarine, 30 - 40 fos.
Rice	"	8.1	8.1	8.1	8.1	8.1	8.1	8.1	None on sale in stores tried.
Chocolate	"	40.	40.	40.	44.	44.	44.	44.	Actual price July in Cherbourg, 42 fos.
Camembert Cheese	each	7.5	7.5	7.5	7.5	7.5	7.5	9.5	No matiere grasse (fatty matter); allowed before July - 35% since then.
Sugar	1 Kilogram	15.	15.	15.	15.10	15.10	15.20	15.30	Obtainable at 16 Fos/kg in Cherbourg.
Jam	"	19.8	19.8	19.8	19.8	19.8	19.8	19.8	
Macaroni	"	17.50	17.50	17.50	17.50	17.50	17.50	17.50	
Milk	1 litre	4.3	4.3	4.3	4.3	4.3	4.3	4.3	Actual price 2.50 - 3 fos in Cherbourg in July; put on market.
Potatoes	1 Kilogram	2.7	2.7	2.7	2.7	2.7	2.7	4.	New potatoes in July, any quantity.
Coffee (National)	150 grams	4.7	4.8	4.8	4.9	4.9	4.9	4.9	Coffee substitute, about 15% coffee, actual price 32 Kg.
Dried Vegetables	1 Kilogram	15.9	15.9	15.9	15.9	15.9	15.9	15.9	No publication of prices for July found; fresh vegetables abundant.
Saccharine	box	11.	11.	11.	11.	11.	11.	11.	Any quantity
Eggs	1 dozen	33.6	33.6	33.6	33.6	33.6	33.6	33.6	Not dried eggs
Flour (Wheat 95)	1 Kilogram	5.20	5.20	5.20	5.20	5.20	5.20	5.20	
Tapicon	"	39.80	39.80	39.80	39.80	39.80	39.80	39.80	
Preserves	"	Variable	Prices						Actual price 40 fos/kg July in Cherbourg
Soup	"	17	17	17	17	17	17	27.70	Actual price 24 fos in July in Cherbourg.
Salt	"								Actual price 4 fos/kilo; Pepper 90 fos/packet.

NOTE ¹: In July, Cherbourg city, fresh carrots were 2.40 fos/kg, onions 4 fos/kg. Artichokes, string beans, lettuce and other fresh vegetables were plentiful in the area.

Maximum Legal Prices - Department of CALVADOS, FRANCE.
January - August, 1944.

Commodity	Unit	Jan	Feb	March	April	May	June	July	Aug	Remarks
Bread	1 Kilogram	3.70	3.70	3.70	3.70	3.70	3.70	3.70	3.70	All prices are retail, in francs Actual price is legal maximum
Beef	"	35.80	35.80	35.80	35.80	35.80	35.80	35.80	35.80	(Actual prices were 100-120 fcs before June, made by device of weighing extra bones with meat. Actual prices June and later are legal maximum. Actual price is legal maximum
Veal	"	38	38	38	38	38	38	38	38	
Mutton	"	44.75	44.75	44.75	44.75	44.75	44.75	44.75	44.75	
Butter	"	74.50	74.50	74.50	74.50	77.40	77.40	63.	63.	Actual price is legal maximum
Rice (sai- zen 15%)	"	5.60	5.60	5.60	5.60	5.60	5.60	5.60	5.60	" " " " "
Chocolate	"	40	40	40	44.	44.	44.	44.	44.	" " " " "
Cruembert Cheese	each	7.10	7.10	7.10	7.50	7.50	10.60	11.	11.	No matiere grasse (fatty matter) allowed before June; 20% in June, 35% in July and August.
Sugar	1 Kilogram	13.80	14.55	14.55	14.65	14.65	14.75	14.75	14.85	None obtainable at legal price in stores tried.
Jam		Variable prices for various types.								
Macaroni	1 Kilogram	17.50	17.50	17.50	17.50	17.50	17.50	17.50	17.50	
Milk (full cream)	1 litre	3.90	3.90	3.90	3.90	3.90	4.	4.	4.	Actual price 2.50-3 fcs litre; glut on market.
Potatoes	1 Kilogram	2.70	2.70	2.70	2.70	2.70	2.70	3.80	2.95	New potatoes in July and August
Coffee	"	80.	80.	80.	80.	80.	80.	80.	80.	No real coffee obtainable in places tried.
Dried Beans	"	12.70	12.70	12.70	12.70	12.70	12.70	12.70	12.70	Fresh vegetables plentiful at low prices.
Saccharine	1 box	11.	11.	11.	11.	11.	11.	11.	11.	
Eggs	1 dozen	30	30.	30.	30.	30.	30.	30.	30.	Fresh eggs
Flour (Wheat 99%)	Kilogram	5.20	5.20	5.20	5.20	5.20	5.20	5.20	5.20	None obtainable at legal prices in stores tried.
Tapioca	1 Kilogram	39.80	39.80	39.80	39.80	39.80	39.80	39.80	39.80	
Preserves		Variable prices								
Soap	"	17.	17.	17.	17.	17.	17.	27.70	27.70	

RATION SCALE FOR J A N U A R Y 1 9 4 4 -- LA MANCHE.

EXHIBIT NO. 9

	+ B	J1	J2	J3	A	T	C	V	
BREAD	125	225	300	375	300	350	350	225	Grams per day
MEAT	360	360	360	360	360	360	360	360	Grams per month
BUTTER	110	110	110	110	110	110	110	110	" " "
RICE	300	-	-	-	-	-	-	-	" " "
COCONUT OIL	-	125	250	250	-	-	-	125	" " "
GREASE	100	100	100	100	100	100	100	100	" " "
SUGAR	1250	500	500	750	500	500	500	500	" " "
JAM	-	500	500	500	250	250	250	500	" " "
MACARONI	750	750	750	750	750	750	750	750	" " "
MILK	3/4	1/2	1/4	-	-	-	-	-	Litres per day
POTATOES	10	10	10	10	10	10	10	10	Kilograms per month
FLOUR	250	250	-	-	-	-	-	250	Grams per month
TAPIOCA	-	-	250	-	-	-	-	-	" " "
COFFEE	-	-	150	150	150	150	150	150	" " "
SWEETS	125	125	125	-	-	-	-	125	" " "
DRIED VEG.	-	-	-	-	-	-	-	-	" " "
PRESERVES	-	-	-	-	-	-	-	-	" " "
SOAP	287.5	175	37.5	37.5	37.5	37.5	37.5	37.5	" " "
+ NOTE-- B = Children under 3 years of age					A = Adults				
J1 = " between 3 & 6 years					T = Heavy Workers - laborers				
J2 = " " 6 & 13 "					C = Producers - cultivators				
J3 = " " 13 & 21 "					V = Aged persons.				

RATION SCALE FOR FEBRUARY 1944 - LA LANCHE.

EXHIBIT NO. 9 (Cont'd)

	+	E	J1	J2	J3	A	T	C	V	
BREAD		125	225	300	375	300	350	350	225	Grains per day
MEAT		360	360	360	360	360	360	360	360	Grains per month
BUTTER		80	80	80	80	80	80	80	80	" " "
RICE		100	-	-	-	-	-	-	-	" " "
CHOCOLATE		-	125	250	250	-	-	-	125	" " "
CHEESE		100	100	100	100	100	100	100	100	" " "
SUGAR		1250	500	500	750	500	500	500	500	" " "
JAM		500	500	500	500	250	250	250	500	" " "
MACARONI		750	750	750	1250	750	750	750	750	" " "
MILK		3/4	1/2	1/4	-	-	-	-	-	Litres per day
POTATOES		-	-	-	-	-	-	-	-	
FLOUR		250	250	-	-	-	-	-	250	Grains per month
TAPIOCA		250	250	-	-	-	-	-	-	" " "
COFFEE		-	-	150	150	150	150	150	150	" " "
SWEETS		125	125	125	-	-	-	-	125	" " "
FRIED VEG		-	-	-	-	-	-	-	-	
PRE-SERVES		-	-	-	-	-	-	-	-	
SOAP		287.5	175	37.5	37.5	37.5	37.5	37.5	37.5	" " "

+ NOTE- E = Children under 3 years of age
 J1 = " " between 3 & 6 years
 J2 = " " 6 & 13 "
 J3 = " " 13 & 21 "

A = Adults
 T = Heavy workers-laborers
 C = Producers - cultivators
 V = Aged persons.

RATION SCALE FOR MARCH 1944 - LA LANCHE.

EXHIBIT NO. 9 (Cont'd)

	+	E	J1	J2	J3	A	T	C	V	
BREAD		125	225	300	375	300	350	350	225	Grams per day
MEAT		360	360	360	360	360	360	360	360	Grams per month
BUTTER		100	100	100	100	100	100	100	100	" " "
RICE		300	-	-	-	-	-	-	-	" " "
CHOCOLATE		-	125	250	250	-	-	-	125	" " "
CHLORIN		40	40	40	40	40	40	40	40	" " "
SUGAR		1250	500	500	750	500	500	500	500	" " "
JAM		500	500	500	500	250	250	250	250	" " "
MACARONI		250	250	250	1500	250	250	250	250	" " "
MILK		3/4	1/2	1/4	-	-	-	-	-	Litres per day
POTATOES		5	5	5	5	5	5	5	5	Kilograms per month
FLOUR		-	250	-	-	-	-	-	250	Grams per month
TAPIOCA		-	250	-	-	-	-	-	-	" " "
COFFEE		-	-	150	150	150	150	150	150	" " "
SWEEETS		125	125	125	-	-	-	-	125	" " "
DRIED VEG		250	250	250	250	250	250	250	250	" " "
PRESERVES		-	-	-	-	-	-	-	-	" " "
SOAP		287.5	175	37.5	37.5	37.5	37.5	37.5	37.5	" " "

+ NOTE- E = Children under 3 years of age
 J1 = " between 3 & 6 years
 J2 = " " 6 & 13 "
 J3 = " " 13 & 21 "

A = Adults
 T = Heavy Workers - laborers
 C = Producers - cultivators
 V = Aged persons

RATION SCALE FOR APRIL 1944 LA MANCHE.

	+ E	J1	J2	J3	A	T	C	V	
BREAD	125	225	300	375	300	350	350	225	Grams per day
MEAT	360	360	360	360	360	360	360	360	Grams per month
BUTTER	150	150	150	150	150	150	150	150	" " "
RICE	100	-	-	-	-	-	-	-	" " "
CHOCOLATE	-	125	250	250	-	-	-	125	" " "
CELERY	110	110	110	110	110	110	110	110	" " "
SUGAR	1250	500	500	750	500	500	500	500	" " "
JAM	-	500	500	500	250	250	250	250	" " "
MACARONI	500	500	500	500	500	500	500	500	" " "
MILK	3/4	1/2	1/4	-	-	-	-	-	Litres per day
POTATOES	-	-	-	-	-	-	-	-	
FLOUR	250	250	-	-	-	-	-	250	Grams per month
TAPIOCA	250	250	-	-	-	-	-	-	" " "
COFFEE	-	-	150	150	150	150	150	150	" " "
SWEETS	125	125	125	-	-	-	-	125	" " "
DRIED VEG	-	-	-	-	-	-	-	-	" " "
PRESERVES	-	-	-	-	-	-	-	-	" " "
SOAP	-	-	-	-	-	-	-	-	" " "

+ NOTE- E = Children under 3 years of age
 J1 = " between 3 & 6 years
 J2 = " " 6 & 13 "
 J3 = " " 13 & 21 "

A = Adults
 T = Heavy workers - laborers
 C = Producers - cultivators
 V = Aged persons

RATION SCALE FOR MAY 1944 - LA. LINCHE. (5)

	E	J1	J2	J3	A	T	C	V	
BREAD	125	225	300	375	300	350	350	225	Grams per day
MEAT	360	360	360	360	360	360	360	360	Grams per month
BUTTER ²	180	180	180	180	180	180	180	180	" " "
RICE	(No decrees available)	-	-	-	-	-	-	-	" " "
CHOCOLATE	-	125	250	250	-	-	-	125	" " "
CHEESE	110	110	110	110	110	110	110	110	" " "
SUGAR	1750	1000	1000	1250	1000	1000	1000	1000	" " "
JAM	-	-	-	-	-	-	-	-	" " "
MACARONI	-	-	-	-	-	-	-	-	" " "
MILK	3/4	1/2	1/4	-	-	-	-	-	Litres per day
POTATOES	25	25	25	25	25	25	25	25	Kilograms per month
FLOUR	250	250	-	-	-	-	250	-	Grams per month
TAPIOCA	-	250	-	-	-	-	-	-	" " "
COFFEE	-	-	150	150	150	150	150	150	" " "
SWEETS	125	125	125	-	-	-	-	-	" " "
DRIED VEG	-	-	-	-	-	-	-	-	" " "
PRESERVES	-	-	-	-	-	-	-	-	" " "
SOAP	-	-	-	-	-	-	-	-	" " "

(5) Note: Official Records destroyed; some items incomplete therefore.

(*) E = Children under 3 years of age A = Adults
 J1 = " between 3 & 6 years T = Heavy Workers - laborers
 J2 = " " 6 & 13 " C = Producers - cultivators
 J3 = " " 13 & 21 " V = Aged Persons

RATION SCALE FOR JUNE 1944 - LA MANCHE

EXHIBIT NO. 9 (Cont'd)

	+	E	J1	J2	J3	A	T	C	V	
BREAD		125	225	300	375	300	350	350	225	Grams per day
MEAT		360	360	360	360	360	360	360	360	Grams per month
BUTTER		180	180	180	180	180	180	180	180	" " "
RICE		300	-	-	-	-	-	-	-	" " "
CHOCOLATE		-	125	250	250	-	-	-	125	" " "
CHEESE		60	60	60	60	60	60	60	60	" " "
SUGAR		1250	500	500	750	500	500	500	500	" " "
J AM		250	250	250	250	-	-	-	250	" " "
MACARONI		500	500	500	500	250	250	250	250	" " "
MILK		3/4	1/2	1/4	-	-	-	-	-	Litres per day
POTATOES		-	-	-	-	-	-	-	-	
FLOUR		250	250	-	-	-	-	-	250	Grams per month
TAPIOCA		-	250	-	-	-	-	-	-	" " "
COFFEE		-	-	150	150	150	150	150	150	" " "
SMOKETS		125	125	125	-	-	-	-	125	" " "
DRIED Veg		250	250	250	250	250	250	250	250	" " "
PRESERVES		1000	1000	1000	1000	1000	1000	1000	1000	" " "
SOAP		-	-	-	-	-	-	-	-	

+ NOTE:- E = Children under 3 years of age
 J1 = " between 3 & 6 years
 J2 = " " 6 & 13 "
 J3 = " " 13 & 21 "

A = Adults
 T = Heavy workers - laborers
 C = Producers - cultivators
 V = Aged Persons

RATION SCALE FOR JULY 1944 - LA MANCHE.

EXHIBIT NO. 9 (Cont'd)

	F1	F2	J	M	
BREAD	100	150	200	150	Grams per day
MEAT	360	360	360	360	Grams per month
BUTTER	100	100	100	100	" " "
RICE	200	-	-	-	" " "
CHOCOLATE	-	125	-	-	" " "
CHEESE	50	50	50	50	" " "
SUGAR	1000	1000	-	-	" " "
JAM	-	-	-	-	" " "
MACARONI	-	-	-	-	" " "
MILK	3/4	1/2	-	-	Litres per day
POTATOES	-	-	-	-	
FLOUR	-	-	-	-	Grams per month
TAPIOCA	-	-	-	-	" " "
COFFEE	-	-	100	100	" " "
SWEETS	-	-	-	-	" " "
DRIED VEG	-	-	-	-	" " "
PRESERVES	-	-	-	-	" " "
SOAP	-	-	-	-	" " "
SALT	500	500	500	500	" " "

* NOTES: F1 - Children less than 3 years of age
 F2 - Children between 3 and 13 years of age, formerly J1, J2.

J - Adolescents between 13 and 21 years of age, formerly J3
 M - Persons over 21, formerly categories A, T, C.

RATION SCALE FOR AUGUST 1944 (A) - LA MANCHE.

	E1 ⁺	E2 ⁺	J ⁺	M-A ⁺	T1 ⁺	T2 ⁺	
BREAD	150	300	300	300	300	300	Grams per day
MEAT	500	700	700	700	800	800	Grams per month
BUTTER	400	400	400	400	500	600	" " "
RICE							
CHOCOLATE							
CHEESE	500	500	500	500	500	500	" " "
SUGAR							
JAM							
MACARONI							
MILK							
POTATOES							
FLOUR							
TAPIOCA							
COFFEE							
SWEETS							
DRIED VEG	250	250	250	250	250	250	" " "
PRESERVES							
SOAP							
LARD	100	100	100	100	100	100	

(A) NOTE: Rations of some items not yet fixed (July 28, 1944)

⁺NOTES. E1 - children less than 3 years of age
 E2 - children between 3 and 13 years of age, formerly J1, J2.
 J - adolescents between 13 and 21 years of age, formerly J3

M - Persons over 21, formerly categories A, T, C. A - Adults
 T1 - Heavy workers, first class.
 T2 - Heavy workers, second class.

DEPARTMENT OF CALVADOS

Exhibit No: 10.

RATION SCALES

	JANUARY 1944									FEBRUARY 1944								
	+E	J1	J2	J3	A	T	C	V		E	J1	J2	J3	A	T	C	V	
Bread	125	225	300	375	300	350	350	225	grs per day	125	225	300	375	300	350	350	225	
Meat	480	480	480	840	480	480	480	480	" " month	480	480	480	840	480	480	480	480	
Butter	40	40	40	40	40	40	40	40	" " "	40	40	40	40	40	40	40	40	
Other fats	-	-	-	-	-	-	-	-	" " "	-	-	-	-	-	-	-	-	
Rice	300	-	-	-	-	-	-	-	" " "	100	-	-	-	-	-	-	-	
Chocolate	-	125	250	250	-	-	-	125	" " "	-	125	250	250	-	-	-	125	
Cheese	40	40	40	40	40	40	40	40	" " "	40	40	40	40	40	40	40	40	
Sugar	1250	500	500	750	500	500	500	500	" " "	1250	500	500	750	500	500	500	500	
Sweets	125	125	125	-	-	-	-	125	" " "	125	125	125	-	-	-	-	125	
Jam	-	-	-	-	-	-	-	-	" " "	-	-	-	-	-	-	-	-	
Preserves	-	-	-	-	-	-	-	-	" " "	-	-	-	-	-	-	-	-	
Milk	$\frac{3}{4}$	$\frac{1}{2}$	$\frac{1}{2}$	-	-	-	-	-	litres per day	$\frac{3}{4}$	$\frac{1}{2}$	$\frac{1}{2}$	-	-	-	-	-	
Potatoes									no figures								no figures	
Flour	250	250	-	-	-	-	-	250	grs per month	250	250	-	-	-	-	-	250	
Tapioca etc.	250	-	-	-	-	-	-	-	"	250	250	-	-	-	-	-	-	
Coffee	-	-	15	15	15	15	15	15	"	-	-	15	15	15	15	15	15	
Dried vegs (beans)	-	-	-	-	-	-	-	-	"	-	-	-	-	-	-	-	-	

+ NOTE: E = children under 3 years of age.
 J1 = " between 3 & 6 years.

J3 = children between 13 & 21 yrs.
 A = adults.

C = Producers - Cultivators. T = Heavy workers - Labourers
 V = Aged persons. J2 = Children between 6 & 12 years.

DEPARTMENT OF CALVADOS

Exhibit No:10 (cont)

RATION SCALES

M A R C H 1944

A P R I L 1944

	+E	J1	J2	J3	A	T	C	V		E	J1	J2	J3	A	T	C	V	
Bread	125	225	300	375	300	350	350	225	grs per day	125	225	300	375	300	350	350	225	
Meat	480	480	480	840	480	480	480	480	grs " month	480	480	480	840	480	480	480	480	
Butter	40	40	40	40	40	40	40	40	"	60	60	60	60	60	60	60	60	
Other fats	-	-	-	-	-	-	-	-	"	-	-	-	-	-	-	-	-	
Rice	300	-	-	-	-	-	-	-	"	100	-	-	-	-	-	-	-	
Chocolate	-	125	250	250	-	-	-	125	"	-	125	250	250	-	-	-	125	
Cheese	40	40	40	40	40	40	40	40	"	60	60	60	60	60	60	60	60	
Sugar	1250	500	500	750	500	500	500	500	"	1250	500	500	750	500	500	500	500	
Sweets	125	125	125	-	-	-	-	125	"	125	125	125	-	-	-	-	125	
Jam	-	-	-	-	-	-	-	-	"	-	-	-	-	-	-	-	-	
Preserves	-	-	-	-	-	-	-	-	"	-	-	-	-	-	-	-	-	
Milk	$\frac{3}{4}$	$\frac{1}{2}$	$\frac{1}{4}$	-	-	-	-	-	litres per day	$\frac{3}{4}$	$\frac{1}{2}$	$\frac{1}{4}$	-	-	-	-	-	
Potatoes	-	-	-	-	-	-	-	-	No figures	-	-	-	-	-	-	-	-	No figures
Flour	-	250	-	-	-	-	-	-	"	250	250	-	-	-	-	-	-	
Tapioca etc.	250	250	-	-	-	-	-	250	"	250	250	-	-	-	-	-	250	
Coffee	-	-	15	15	15	15	15	15	"	-	-	15	15	15	15	15	15	

+ NOTE: E = Children under 3 years of age.
 J1 = " between 3 & 6 years.
 J2 = " " 6 & 13 "

J3 = Children between 13 & 21 years.
 A = Adults.
 T = Heavy workers - labourers.

C = Producers - Cultivators.
 V = Aged persons.

DEPARTMENT OF CALVADOS

Exhibit No: 10 (cont)

RATION SCALES

MAY 1944

JUNE 1944

	+E	J1	J2	J3	A	T	C	V	
Bread									125 225 300 375 300 350 350 225 grs per day
Biscuits									- - - - - - - -
Meat									480 480 480 660 480 480 480 480 grs per month
Butter									50 50 50 50 50 50 50 50 "
Other fats									- - - - - - - -
Rice									100 - - - - - - - -
Chocolate									- 125 250 250 - - - 125 "
Cheese									40 40 40 40 40 40 40 40 "
Sugar									1250 500 500 750 500 500 500 500 "
Sweets									125 125 125 - - - 125 "
Jam									- - - - - - - -
Preserves									- - - - - - - -
Milk									$\frac{3}{4}$ $\frac{1}{2}$ $\frac{1}{4}$ - - - - litres per day
Potatoes									- - - - - - - - no figures.
Flour									250 250 - - - - - grs per month
Tapioca etc.									250 250 - - - - 250 "
Coffee									- - 15 15 15 15 15 15 "

+ NOTE: E = Children under 3 years of age.
 J1 = " " between 3 & 6 years.
 J2 = " " 6 & 15 "

J3 = Children between 13 & 21 years.
 A = " lts.
 T = " Navy workers - labourers.

C = Producers - Cultivators.
 V = Aged persons

RATION SCALES

JULY 1944

AUGUST 1944

	E	J1	J2	J3	A	T	C	V		E1	E2	J	M	T1	T2	
Bread	125	225	300	375	300	350	350	225	gms per day	150	100	100	100	100	100	
Biscuits	-	-	-	-	-	-	-	-		-	160	160	160	160	160	
Meat	360	360	360	360	360	360	360	360	excluding offals which were free	500	700	700	700	800	1000	per week
Butter	100	100	100	100	100	100	100	100		400	400	400	400	500	600	
Other fats	-	-	-	-	-	-	-	-		100	100	100	100	100	100	
Rice	-	-	-	-	-	-	-	-		-	-	-	-	-	-	
Chocolate	150	150	150	150	-	-	-	150		-	200	200	-	-	-	
Cheese	50	50	50	50	50	50	50	50		500	500	500	500	500	500	
Sugar	1000	250	250	500	250	250	250	250		500	500	-	-	-	-	
Sweets	200	200	200	200	200	200	200	200		200	200	200	-	-	-	
Jam	-	-	-	-	-	-	-	-		-	-	-	-	-	-	
Preserves	-	-	-	-	-	-	-	-		-	-	-	-	-	-	
Milk	$\frac{3}{4}$	$\frac{1}{2}$	$\frac{1}{4}$	-	-	-	-	-	litres per day	$\frac{3}{4}$	$\frac{1}{2}$	-	-	-	-	
Potatoes	2	2	2	2	2	2	2	2	Kg per month	-	-	-	-	-	-	Not yet fixed
Flour	250	250	250	250	250	250	250	250		-	-	-	-	-	-	
Tapioca, etc.	-	-	-	-	-	-	-	-		-	-	-	-	-	-	
Coffee	-	-	95	95	95	95	95	95		-	-	80	80	80	80	
Salt	250	250	250	250	250	250	250	250		300	300	300	300	300	300	
Beans	500	500	500	500	500	500	-	500		250	250	250	250	250	250	

+ NOTE: E1 = Children less than 3 years of age.
E2 = Children between 3 & 13 yrs of age - formerly J1, J2
J = Adolescents between 13 & 21 yrs of age, formerly J3

M = Persons over 21, formerly categories A, T, C, V.
T1 = Heavy Workers, first class.
T2 = Heavy workers, second class.

AIRGRAM

CONFIDENTIAL

SECSTATE
WASHINGTONAMERICAN EMBASSY
SAN JOSE, COSTA RICA
AUGUST , 1944
REC'D August 18, 3pm

A-496, August 15, 2 p.m.

Reference Department's telegram No. 390 of August 10, 5 p.m. concerning refugee children.

The embassy is reluctant to request the Costa Rican Government to "extend its acceptance" to children from Hungary, since no formal acceptance has as yet been received from the Foreign Office.

As reported in my airgram No. A-390 of June 16, 10 a.m., the discussions on this subject were between the Embassy and the head of a semi-official welfare agency. It was indicated at that time that, if the Costa Rican Government could be given assurances as to the permanency of stay of any refugee children to be accepted, it would formally agree to accept them. No such assurances have been received, however, and it is felt that the Foreign Office would not care to commit itself until this point has been clarified.

Further instructions are requested.

DES PORTES

848
LDW/cm

CABLE FROM DEPARTMENT TO AMBASSADOR WINANT, LONDON, ENGLAND.

Please refer to your 6289 of August 5 concerning Beckelman's proposal to close Camp Lyautey.

Inasmuch as Camp Lyautey is still under the joint jurisdictions of the British and American Governments, Beckelman's proposal must of necessity be passed upon by the two Governments.

It is the United States Government's view that now would be a highly inopportune time to close Camp Lyautey. Beckelman's statement that few newcomers are expected at Layautey indicates that he is unaware of the Horthy offer (your 5956 of July 27 and our 6096 of August 2). The closing of Camp Lyautey at a time when the British and American Governments have under consideration the Hungarian proposal to permit thousands of Jews to emigrate from Hungary might well prove tragic in its consequences, for in the eyes of the Hungarian Government it might easily throw open to question the sincerity of the British and American Government's professed willingness to receive on United Nations' territory Jews and other victims of enemy oppression. Furthermore, in view of the promise which the United States Government is proposing to make to the Hungarian Government through Intercross to arrange for the care of and to find havens for all Jews permitted to leave Hungary who reach neutral or United Nations' territory (our 6096 of August 2), all possible havens must be held available for any eventuality that may occur.

It would be appreciated if you would make known to the British Government and the IGC the United States Government's view concerning Beckelman's proposal to close Camp Lyautey at this time. This cable has been cleared with the Department, FEA and WRB.

1:30 p.m.
August 15, 1944

MJMarks:ro
8/10/44

BAS

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

August 15, 1944

8 p.m.

AMEMBASSY,

LONDON,

6456

FROM **CROWLEY AND HANNIGAN, FEA FOR REED**

CONFIDENTIAL. Your 6289, August 5, French Division, Liberated Areas, FEA is responsible for the operation of Fedhele Refugee Camp. Beckelman and his American staff belong to and are paid by UNRRA but are loaned to FEA to operate the camp until UNRRA takes it over.

HULL
(RLH)

DCR:RLH:ATM

REmerson
Liaison
BA-844-RWDunlap:eev
8-11-44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington
DATED: August 15, 1944
NUMBER: 6563

SECRET

Following is for the War Refugee Board, FSA, and the Department.

Department's cable of July 25, no. 5814 is referred to herewith.

Inasmuch as such decisions are the responsibility of the Treasury rather than UNCC, we have raised with the British Treasury the question of UNCC buying through British special account on behalf of the American Joint Distribution Committee. In view of the fact that under the financial agreement with Turkey, the British are permitted the 40% premium for exports to the sterling area only, Treasury does not feel able to accede to this request. Although as stated in Ankara's cable some purchases have been made for Greece and on a smaller scale for Belgium and Yugoslavia, the British fear that the Turks would object if the number of such purchases was increased. It is anticipated by the British that this would mean that they would cease to obtain premium for Greeks and other Allies and are unwilling to prejudice the Allies' position in this manner.

WINANT

DCR:VAG

8/27/44

EMBASSY

No. 1430

Guatemala, August 15, 1944

SECRET
BY COURIERSubject: Request of Guatemalan Government
for Protection of Interests in
Hungary by Swiss Government.The Honorable
The Secretary of State,
Washington, D.C.

Sir:

I have the honor to refer to the Department's Secret Circular Airgram of August 3, 11 a.m., 1944, concerning the desired assumption of the protection of Latin American interests in Hungary by a neutral Government.

In a conversation with the Foreign Minister on August 11, I placed before him the substance of the Department's Airgram in reference, and as a result I have now received the enclosed Note from the Foreign Office (No. 10380, of August 14, 1944), from which the Department will observe that the Swiss Government is requested to assume the protection of Guatemalan interests in Hungary under the conditions outlined in the cited Airgram, albeit the Government of Guatemala is not currently in a technical state of war with Hungary. This may present an obstacle to the accomplishment of the desired ends, but, as the Guatemalan Government itself points out, it withdrew its only representation, a Consul in Budapest, because of Hungary's position as a satellite of Germany. It will be observed that in the enclosed Note the Guatemalan Government reserves the right to investigate cases of persons bearing Guatemalan documents and, in appropriate cases, to refuse admission to Guatemala.

Respectfully yours,

Boaz Lond

Enclosure:

- 1/ Translation of Note No. 10380,
from Guatemalan Foreign Office.
- 2/ Copy of Note No. 10380.

848.

WCA:hss

To Department in original only.

ENCLOSURE NO. 1 to DESPATCH NO. 1430, dated August 15, 1944,
From American Embassy, Guatemala;

TRANSLATION:

Secretary of Foreign Affairs,

Republic of Guatemala

Diplomatic Section

No. 10380

032 (89-0)

Guatemala, August 14, 1944

CONFIDENTIAL

The Secretary of State in the Ministry of Foreign Affairs of Guatemala respectfully greets your Excellency the Ambassador Extraordinary and Plenipotentiary of the United States and has the honor to request your collaboration and that of the Government of the United States in requesting the Government of Switzerland to assume the representation of Guatemalan interests in Hungary.

Mrs Chauncey
(for the Sec'y)
Borahamson,
Akritin
Cohn
Dubois,
Deruy
Friedman
Gaston
Hodel
Laughlin
Lasser
Mannion
Marks
McCormack
Pelle
Sergey
Standish
W. Weinstein
Carole Control

Although the Government of Guatemala is not in a declared state of war with Hungary, in view of the control which that country was subject to by Germany, and her collaboration against the cause of the United Nations, this Government closed its Consulate in Budapest and consequently national interests do not have protection in that Kingdom.

Although Guatemalan interests in Hungary are merely nominal, the Government of Guatemala would appreciate the protection of the Government of Switzerland especially as regards the following:

2) The Government of Hungary must be notified that it is expected that it ~~will~~ persons who possess such passports and documents the same treatment, the same rights, privileges and immunities as those corresponding to nationals of the Republic of Hungary.

3) The Government of Guatemala recognizes and confirms those passports and other documents issued in her name in favor of persons who are subject to persecution in Hungary.

3) The Government of the United States is authorized to negotiate the exchange of those persons.

The Government of Guatemala retains its right to object and submit to a careful investigation the legality of the documents in possession of the persons under reference; and, in no case shall authorize their entry into Guatemalan territory before the results of the investigation have proven satisfactory. However, this Government shall exercise that right until the interested parties have been taken to a safe place.

Carlos Salazar appreciates your Excellency Mr. Boas Long the courtesy in transmitting this request to the Department of State so that it may be made known to the Government of Switzerland, and avails himself of the opportunity to renew to him the testimony of his highest and most distinguished consideration.

Port-au-Prince, Haiti, August 15, 1944.

SECRET

No. 157

Subject: Transmitting Note from the Haitian Foreign Office in regard to Action Taken on behalf of Holders of Haitian Passports in German Occupied Countries.

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

Sir:

I have the honor to acknowledge receipt of the Department's instruction No. 45 of July 24, 1944, enclosing a list of claimants to Haitian nationality who were removed from the internment camp at Vitel, France, and requesting me to take such action in the premises, as suggested by the Department's instruction to the Embassy at Ammanon, as might be feasible in the light of conditions in Haiti.

In view of the Haitian Government's expressed desire to cooperate with the Government of the United States in matters of this kind for humanitarian reasons during the duration of the present hostilities, I headed the Haitian Minister for Foreign Affairs on August 4th a note, a copy of which is enclosed, in the same general tenor as the instruction to the Embassy at Ammanon.

The Haitian Government has taken the action desired by the Department, as will be seen from the text of the note addressed to me on August 14th by the Under Secretary of State for Foreign Affairs, a copy and translation of which are transmitted herewith.

In this connection I have the honor to inform the Department what the cablegram of July 31st, mentioned in this note, has reference to a message sent on that day by the Haitian Government to its Legation at Berna directing that Mission not to question at present the validity of Haitian passports held by persons now residing in countries occupied by the enemy and who could be the object of enemy persecutions, until these persons arrive in a place of safety.

The complete text of this telegram will be forwarded in another despatch.

Respectfully yours,

Enclosures:

- 1/ To the Foreign Office dated August 4, 1944. Orme Wilson
 - 2/ From the Foreign Office, dated August 14, 1944
 - 3/ Translation of No. 2 above.
- Files: 711
- Orme
To the Department in original and hectograph.

COPY

Enclosure No. 1 to
Despatch No. 157 of
August 15, 1944, from
The Embassy at
Port-au-Prince.

Port-au-Prince, Haiti,
August 4, 1944.

CONFIDENTIAL
No. 76

Excellency:

I have the honor to refer to Your Excellency's memorandum of July 29th and to our conversations on the subject of holders of passports issued in the name of the Haitian Government who are at present living in German-occupied territory.

I am now in receipt of a communication from my Government transmitting a list of the persons who were removed from the internment camp at Vitteol, France, to whom reference was made in my memorandum of July 12th. This list is attached hereto and is furnished to the Haitian Government in implementation of Resolution XXIV of the Emergency Advisory Committee for Political Defense at Montevideo, a copy of which has undoubtedly been received by Your Excellency.

In accordance with the spirit of Resolution XXIV and to protect the lives of the persons whom that Resolution is intended to save, my Government requests me to suggest to the Haitian authorities the extreme urgency of addressing promptly to the German Government, through the Government of Switzerland, a communication in substance to the effect that, having learned that the holders of passports issued in the name of Haiti, whose names appear on the attached list enclosed herewith, have been removed by the German authorities from the civilian internment camp at Vitteol to an unknown destination, the Government of Haiti strongly protests this treatment of the above-named persons, that it urgently requests information concerning their whereabouts and welfare and that it expects their immediate transfer to a civilian internment camp where they will be readily available for exchange and where, pending such exchange, they will be under the supervision of the Protecting Power and the International Red Cross. Further, that the Haitian Government seizes this opportunity to state that it will not permit the validity of any documents issued in its name to be questioned by Germany and that it expects from the German Government toward holders of such documents the same treatment as the German Government hopes to obtain for its nationals in the Western Hemisphere.

Hls Excellency
M. Gaston Lassot,
Secretary of State for Foreign Affairs,
Port-au-Prince.

-2- Enclosure to Despatch No. 157.

In transmitting this request to Your Excellency's Government, I desire to remind you of the assurance given by the Government of the United States to the effect that, as far as the exchange of such persons is concerned, Haiti will not be expected to admit to Haitian territory any persons other than those of unquestioned Haitian nationality, merely because such persons hold documents issued in the name of Haiti.

Accept, Excellency, the renewed assurance of my highest consideration.

ORRME WILSON

Enclosure:
1/ List as stated above

File: 711.
Orrmak

(Enclosure No. 1)

CLAIMANTS TO HAITIAN NATIONALITY
REMOVED FROM VITTEL, FRANCE
TO AN UNKNOWN DESTINATION

<u>NAME</u>	<u>PLACE AND DATE OF BIRTH</u>
1. BERGER, Abraham	Warschau/Polen 23.4.08
2. BERGER, Eugenia	Warschau/Polen 2.4.25
3. MUSZYNSKI, Leon	Warschau/Polen 15.3.18
4. MUSZYNSKI, Lili	Warschau/Polen 11.4.20

Enclosure No. 3 to
Despatch No. 157 of
August 15, 1944,
from The Embassy at
Port-au-Prince.

TRANSLATION

MINISTRY
OF
FOREIGN AFFAIRS
E. A. C. No. 1180

Port-au-Prince, August 14, 1944.

Mr. Ambassador:

I have the honor to acknowledge the receipt of Your Excellency's note No. 76 of August 4th, referring to the memorandum of this Secretariat of State and to our conversations concerning the persons who held passports issued in the name of the Haitian Government and who are actually living in German or German-occupied territory. In pursuance of Resolution XXIV of the Emergency Advisory Committee for Political Defense, Your Excellency was good enough to give me a list of the following persons holding passports issued in the name of the Republic of Haiti:

Abraham BERGER
Eugenia BERGER
Laen MISTYSKI
Lilil MISTYSKI

I note that these persons have been withdrawn by the German authorities from the civilian internment camp at Vitval for transportation to an unknown destination.

In conformity with the spirit of Resolution XXIV of the Emergency Advisory Committee for Political Defense, I hasten to inform Your Excellency that this Secretariat of State, in accordance with the suggestion of the United States Government, sent the following telegram on August 11, 1944, to the Haitian Legation at Bernes:

Port-au-Prince, August 11, 1944.

HAITIAN LEGATION, BERNE

"Referring to cablegram of the 31st of July please ask Federal Government to communicate the following declaration to the German Government: 'Having learned that the following persons, namely, Abraham Berger, Eugenia Berger, Laen Mistryski and Lilil Mistryski, holders of passports delivered in the name of Haiti, have been removed by the German authorities from the civilian internment camp at Vitval to an unknown destination, the Haitian Government protests energetically against the treatment inflicted upon the above-mentioned persons. STOP. The Haitian Government

Enclosure No.3 to
Despatch No. 157
of August 15, 1944.

urgently asks for information concerning their address and their health and expects their immediate transfer to a civilian internment camp where they would be easily available for exchange and where, in awaiting this exchange, they will be placed under the supervision of the Protecting Power and the International Red Cross. STOP. The Haitian Government also declares that it will not permit that Germany place in doubt the validity of any documents delivered in its name and that it expects that the German Government will accord the holders of these documents the same treatment which the German Government expects to obtain for its nationals in the Western Hemisphere. STOP. Finally, the Haitian Government reserves the right to take action against any ill treatment which might be inflicted upon the above-mentioned persons and upon all persons who may be in the same position."

I avail myself of this occasion to renew to Your Excellency, Mr. Ambassador, the assurances of my high consideration.

Jacques C. Antoine.

OW:mak

Miss Chauncey (for the Sec'y), Abrahamsen, Aksin, Cahn, Drury, DuBois, Friedman, Gaston, Hedel, Laughlin, Lesser, Mannen, Marks, McCormack, Pehle, Sargoy, Standish, Weinstein, Cable-Control-Files,

FBI-736

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

Tegucigalpa**Dated August 15, 1944****Rec'd 5:12 p.m.****Secretary of State,****Washington.****257, August 15, Noon.**

Answer to Department's circular telegram of August 12, 8 p.m. is that Honduras consents.

ERWIN**EMB****Refugee children**

MAE-695

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

Dublin

Dated August 15, 1944

Rec'd 9:30 a.m.

Secretary of State,

Washington.

131, August 15, 1 a.m.

Reference is made to Departments circular telegram August 12, 8 p.m. concerning refugee children.

Irish Government in principle extends its offer of refuge to children from Hungary as well as from France.

GRAY

EMB

ED - 844
Distribution of true
reading only by special
arrangement. (SECRET-W)

Lisbon

Dated August 15, 1944

Rec'd 5:34 p.m.

Secretary of State

Washington

2525, August 15, 5 p.m.

Sara Ginsburg gives address and ree Fleury - Larson-
neau as block 13 K 4 Ravensbruck Arbeits Lagernau Brandenburg
Mecklenburg. Reurtel 2024 WRB 59 July 19. This is WRB 156 for
International Rescue and Relief Committee New York from Elizabeth
Dexter.

NORWEB

EDA

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, BERN
TO: Secretary of State, Washington
DATED August 15, 1944
NUMBER: 5279

SECRET

Your 2486, July 21, 1944.

It is stated in a note from the Foreign Office August 12 that the Swiss Legation at Sofia reports on the ninth of August that the Government of Bulgaria is willing to accord transit visas to Neulander and Schlaifers for which application must be made at the Bulgarian Legation in Bucharest and that this information has been transmitted to the Swiss Legation in Bucharest.

HARRISON

DCR:EMS

8-16-44

CORRECTED COPY

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMLEGATION, Bern
TO: Secretary of State, Washington
DATED: August 15, 1944
NUMBER: 5297

SECRET

Your 2488, July 21, 1944

The serial number of the above message should be changed from 5279 to 5296.

HARRISON

ANKARA

Dated August 15, 1944

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

GEM-302

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

Secretary of State,
Washington.

1493, August 15, 10 p.m.

FOR FEHLE WRB FROM HIRSCHMANN

Ankara's NO. 133

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

The MEFKURA survivors report the following information regarding the sinking of MEFKURA: Shortly after midnight on August 5 the MEFKURA was approached by three surface craft of the length of two railway cars with flat shallow draft bottoms and armed with small cannon and machine guns. They were considered to be German boats since they had silhouettes similar in appearance to those boats which had been seen in Constanza harbor. The three boats opened fire on the MEFKURA with cannon and machine guns. One of the first shots landed in the machinery room of MEFKURA exploding the machinery. The ship was set on fire by incendiary bullets. A large number of passengers were wounded on the boat itself by machine gun fire; others were caught in the flames or injured by bits of flying machinery. Many passengers donned life preservers and jumped overboard. The machine gun fire continued upon the passengers while they were in the water. The sea was stormy, otherwise it is believed that a larger number of passengers might have been saved.

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

boats left

-3- #1493 from Ankara, dated August 15, 1944

boats left while it was still dark and did not open fire upon the BULBUL. The BULBUL continued its voyage with the MEFKURA survivors aboard toward Istanbul. It came within 300 meters of the Black Sea entrance of the Bosphorus but was unable to enter the Black Sea on account of the stormy seas. It sailed back along the Turkish shore to Igneada before safe anchorage was found.

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

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

KELLEY

JMS IMS

DEPARTMENT OF STATE
DIVISION OF

1944 AUG 17 AM 9 38

CORRECTION
COMMUNICATIONS
AND RECORDS

LL-300

This telegram must be
paraphrased before being
communicated to anyone
other than a Governmental
agency. (SECRET O)

(LIAISON) August 15, 1944

In telegram No. 1383, August 10, 2 p.m.,
(SECTION ONE), from Chungking via Navy, in second
sentence of paragraph one, delete "lianverrf"
and insert "(Liang)" so as to read "totalled 125,500
ounces (Liang); 63,500 during" et cetera.

DIVISION OF COMMUNICATIONS AND RECORDS

NOTE: Correction from the Embassy.

MJK

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

215
DIVISION OF
COMMUNICATIONS
AND RECORDS

HIS-79

DEPARTMENT OF STATE
DIVISION OF

PLAIN

1944 AUG 17 PM 2 35 Stockholm via London

Dated August 15, 1944

COMMUNICATIONS
AND RECORDS
(LIAISON)

Rec'd 1:39 p.m., 16th

Secretary of State,
Washington.

3102, Fifteenth
Swedish editorial

RESTRICTED

TIDNINGEN fourteenth carries Bertil Ohlin article concerning Bretton Woods conference. Reports concerning conference still incomplete but obviously question of contribution quotas to bank and fund caused considerable wrangling. Seems certain however new organizations represent advance over conditions prevailing during period between two world wars when entire burden of making adaptations to crisis disturbances devolved upon financially weak debtor states. Now however obligation to normalize payment balances will devolve equally upon creditor states which represent great advance. Risk will be diminished of world economic disturbances exercising restrictive depression creating effects. Under new organization creditor states will contribute to establishing equilibrium by increasing foreign purchases and granting long-term

-2-#3102, Fifteenth, from Stockholm via London

long-term credits. Currency fund would afford reinforced liquidity reserve for countries needing it whilst at same time conference would automatically be arranged by countries in difficulties together with financial circles of larger states. Considering also advantages which international banking offers for long-term loans for reconstruction or development of backward countries together with advantages mentioned above makes conclusion inevitable that realization of Bretton Woods plans would constitute great step forward for world economy. On other hand all experts realize these institutions are insufficient because supplementary organizations are necessary to prevent commercial political actions of highly protectionist nature or breakdown of international raw materials market. Tactical weakness of proposals is they're so complicated only specialists can evaluate them. This may prove fatal to practical performance of plans. Tisn't at all certain Congress will make its decisions in accordance agreements reached and prospect will be very uncertain if Republicans gain majority in House. Taft has stated currency fund agreement won't be approved by Congress and he criticizes fact that although United States will make largest contribution actual use of money will be determined by council in which countries with

-3-#3102, Fifteenth, from Stockholm via London

countries with weaker currencies will have majority and therefore money will soon disappear in loans to countries having feeble finances. Despite Taft's views real objection to plan is that credit granting too greatly restricted thereby reducing funds effectiveness. Though most Taft's criticism won't stop closer investigation there's some truth in fact war devastated countries may be tempted utilize credit facilities not for creating liquid reserve but for financing imports for reconstruction purposes and twon't be easy for council to prevent this. Traditionally conservative American banking circles view plans skeptically and Republicans whose experts not invited part war monetary systems foundation is laid.

TIDNINGEN fifteenth accuses Allied administration in Italy of permitting certain Italian elements to take too drastic measures in eliminating Fascists. Regrettablest case is Gigli who accused of collaboration and ment death under mysterious circumstances after having received threats against his life. Mascagni reportedly hiding from his enemies. Persecution continues while biggest . . . Fascists are sage in Switzerland Portugal. Situation no better in France where Sascha Guitry and Maurice Chevalier marked as collaborationists. If settlement with Fascism and Nazism proceeds along these petty-minded lines it

-4-73102, Fifteenth, from Stockholm via London

lines it must inevitably arouse consternation regarding
future prospects.

JOHNSON

WSB

SECRET

OPTEL No. 266

Information received up to 10 a.m., 15th August, 1944.

1. NAVAL

Early this morning One of H.M. Cruisers with one of H.M. Canadian Destroyers and a British Destroyer intercepted four ships off LA PALLICE. One was left sinking, one heavily on fire and a tanker driven ashore. Shore defences engaged H.M. Ships. Later three more enemy ships were intercepted in the same area.

On 13th/14th two of H.M. Destroyers damaged a convoy of three minesweepers and a cargo ship sailing from JERSEY to GUERNSEY. Heavy fire encountered from shore batteries. Ten casualties in the Destroyers. Same night one of H.M. Destroyers off SUFFOLK damaged and drove away six E-boats which were later intercepted by M.T.B's which damaged two of them.

2. MILITARY

FRANCE. U.S. troops have advanced on wide front to 4-5 miles S.W. and E. of ARGENTAN. They have also advanced about four miles and reduced the salient between BARENTON and CARROUGES. On the Eastern and Northern sectors our pressure has been maintained and some appreciable gains made. Canadians attacked towards FALAISE noon 14th.

ITALY. Our positions in FLORENCE have been improved.

RUSSIA. Russians have advanced further west of PSKOV towards VALKA. They have repulsed German counter attack N.W. of KOVNO. N.W. of BIALYSTOK they have captured OSOWIEC. More German counter attacks against the Russian bridgehead over VISTULA N.E. of CRACOW have been driven back.

3. AIR

WESTERN FRONT. 14th. Offensive and escort sorties totalled about 4,300. Following an attack by medium bombers, Lancasters and Halifaxes bombed German concentrations POTIGNY area dropping 3,600 tons, with object assist Canadian attack by-pass German positions this area. Marking accurate and bombing concentrated. Communications and transport attacked by aircraft of many types. About 840 tons dropped and 500 rockets fired. 1,100 tons were dropped on airfields mainly in E. and S.E. FRANCE and in GERMANY. Large numbers of tanks, motor vehicles and rolling stock were destroyed. 815 tons released at block ships BREST which were hit.

Fortresses and Liberators dropped total 750 tons on chemical works LUDWIGSHAFEN, electrical works MANNHEIM, airfield KAIRSERSLAUTEN, and other objectives. Majority results good to excellent.

German casualties in action 12, 3, 3 and on ground 12, 1,
2. Ours - 18 aircraft missing.

14th/15th. 32 Mosquitoes sent to BERLIN. Other tasks
26. All returned safely.

ITALY AND SOUTHERN FRANCE. 14th. U.S. heavy bombers bombed gun positions in SAVONA and GENOA areas - 505 tons and along southern coast of France - 710 tons, including 275 at TOULON. They also bombed railway bridges in S.E. France with good to excellent results. R.D.F. installations and coast watchers were attacked by fighters.

4. HOME SECURITY

During 24 hours ending 6 a.m. 15th, 50 flying bombs plotted. Two short active spells.

OPTEL No. 265 not sent to Washington.