

DIARY

Book 835

April 6-10, 1945

April 6, 1945
10:43 A. M. AMr. Dan
Bell:

Hello.

HMJr: Hello, Dan?

B: Good morning.

HMJr: How are you?

B: Pretty good. I'm very sorry to hear about
Mrs. Morgenthau. How is she?

HMJr: Well, she had a good night.

B: Fine.

HMJr: And she's improving.

B: Well, that's good news.

HMJr: Yeah. It looks now as though I might be able to
get away Sunday.

B: Get away Sunday night?

HMJr: Yeah.

B: I see. Well, that will be fine. Will she be able
to travel too?

HMJr: Oh, she won't be able to travel.

B: She won't be able to travel.

HMJr: Well, I'll come up to that engagement on Tuesday
in New York.

B: I see.

HMJr: I can hardly hear you.

B: I say, you'll be up here to keep the engagement on
Tuesday?

HMJr: Yeah.

B: All right. Now there's quite a group here.

HMJr: Well, just if there is anything important. I didn't
want to call one after the other.

- 2 -

B

B: I want to tell you that I saw Fred Gehle in New York, and he said that it was practically a sell-out for your engagement at the Astor.

HMJr: Talk a little louder, Dan.

B: I say he said that there was practically a sell-out.

HMJr: Good.

B: At the Astor. I don't know whether that is dinner or luncheon.

HMJr: Dinner.

B: Dinner, huh?

HMJr: At the Waldorf.

B: Luncheon at the Waldorf?

HMJr: No. I thought the Gehle thing was at the Waldorf.

B: Oh, well, anyhow, he said that there was practically a sell-out. There's over 1900 tickets.

HMJr: Good heavens!

B: Yeah. I haven't anything. I could report on the New York trip. I don't know whether you want to hear about it.

HMJr: I'd like --- I told Luxford to write me the part he took part in, see?

B: Yes.

HMJr: And then if you would write me the part that you had and send it down to me today.

B: I'll do that.

HMJr: Then I'll have the whole picture.

B: All right. They'll come down together.

HMJr: But my own feeling is this - I think we should move very slowly on what we agreed to.

- 3 -

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B: Well, I think so, too.

HMJr: And this is my horse-back opinion that you people should talk about. I think that it would strengthen our hand enormously before the Senate if we got it through the House without any amendment. Then if we've got to do any horse-trading, let's do it in the Senate.

B: Well, that might be. One thing I'm worried about this whole picture is that it will be termed horse-trading or weakening of the Treasury position because there was one remark made yesterday in my conference with Aldrich that -- oh, something about going along with the Treasury and permitting them to save their face. I said, "Well, just wait a minute." I said, "The Treasury doesn't have to save its face, this is a matter of cooperating with everybody concerned, and certainly we are not up here to save the Treasury's face." And he said, "Well, maybe I used the wrong words."

HMJr: Well, I'll read Luxford's letter, and I'll read your letter and if anyone else wants to write any comments they can write me today.

B: All right.

HMJr: If White has anything he wants to write on it, but my own feeling as much as I've done now that we know we've got the votes in the Banking and Currency ...

B: Do we know that?

HMJr: Yeah.

B: The papers all differed.

HMJr: No. Joe O'Connell tells me we definitely have the votes. Baldwin of Baltimore is going to vote. He told that to the chairman.

B: I see.

HMJr: We've got the votes.

B: Well, I'd move slowly. Burgess is going to see some of his people today, I think Charlie Spencer, Aldrich - I don't mean Aldrich, I mean Lem Hemingway and two or three others.

- 4 -

HMJr: You see, Burgess made me a promise once that he didn't keep.

B: Well, Burgess is all right on this when he talks to us alone, but it seems to me that he soft-pedals it when he talks to somebody that is strongly opposed to it.

HMJr: Well, suppose you write me in great detail what happened.

B: All right, we'll do that.

HMJr: But it's understood up there, is it, that nobody is to agree to anything until the boss puts his O.K. on it?

B: Oh, that's right. We told them that we had to bring back to you any recommendations that we might want to make, and that these were merely informal and off-the-record discussions. Everybody understands that.

HMJr: Well.....

B: As a matter of fact, Burgess is in the same position because he's talking for a group too.

HMJr: Well my own inclination is to get it through the House without any amendment.

B: Ahuh.

HMJr: But I'll talk to you about it when I get back. I'll have plenty of time when I get back.

B: Yes, plenty. Do you want to talk to anybody here?

HMJr: Only if they've got something important to talk to me about.

B: No one has a thing.

HMJr: Who knows what is going on on this question of reparations and then this revised 1067? Who's familiar with that?

B: (Talks aside) Harry and Coe both are here and they both are familiar. Do you want to talk to them?

HMJr: Put Harry on.

B: All right. Harry wants to know if you are going to be here Monday too?

- 5 -

HMJr: If my plans go through, I'll be in Washington on Monday.

B: Monday, yeah. Harry, Harry,

Mr. Harry White: Hello.

HMJr: Hello, Harry.

W: Hello. We are all glad to hear that Mrs. Morgenthau is better this morning.

HMJr: She's better.

W: It was in the paper that she was taken sick.

HMJr: Other than in Leonard Lyons?

W: Yeah.

HMJr: It was?

W: Yes.

HMJr: What did the other papers say?

W: No, no others as far as I know.

HMJr: Just Leonard Lyons.

W: Yeah. Of course, somebody picked it up today.

HMJr: I know where they got that too.

W: You do? I don't.

HMJr: Well, I do.

W: The meetings on the....

HMJr: Talk up, Harry.

W: The meetings on Germany are going forward and they've had long meetings - a lot of opposition, but they are getting a little closer together. I spoke to - some of the FEA boys particularly were very difficult, following the Henderson line completely. One of them was over there. I spoke to Cox at some length. He agrees with us a 100%.

HMJr: Humph.

- 6 -

W: And he said that he would see that his boys get in line.

HMJr: Yeah.

W: But his boys haven't gotten in line. I spoke to him again about it, and he said he would see them again, but I gather maybe the one that we have to talk to is Crowley. I'm seeing Cox again this morning and I'll see, but in the meantime they are continuing to work..

HMJr: Yes.

W:and we are beginning tomorrow on the reparations.

HMJr: Is that the first time they are going to meet . . . ?

W: On reparations, yes.

HMJr: ...with Hildring?

W: Yes, Clayton couldn't have any time before that, he had to go to Chicago and so on. That was the first moment he had.

HMJr: Yeah.

W: And two other things -- Mrs. Klotz just mentioned that she spoke to you about Judge Rosenman's request and about the possibility of getting Treasury people over there to make an investigation.

HMJr: Yeah.

W: Well, we are drafting a proposal up here for your consideration whenever you come, Monday or Tuesday, we aren't taking any other action.

HMJr: That'll all come under General Clay now.

W: I see but it is a separate matter than what General Clay raised with you which -- it's a separate matter and you'll both want to consider them together, I imagine, but there is no need to answer General Clay until you come back.

HMJr: I can't answer him because I don't know how.

W: Yes, well, neither do we. In any case we're not doing anything.

- 7 -

HMJr: Yes.

W: Is there anything else that you want?

HMJr: No, thanks.

W: All right. Anybody else you want to talk to?

HMJr: I just want Fitzgerald, please.

W: Mr. Fitzgerald.

HMJr: Hello.

Operator: Hello.

HMJr: Mr. Fitzgerald, please.



TREASURY DEPARTMENT

WASHINGTON 25

April 6, 1945

TO THE SECRETARY:

In addition to the conferences held in New York, referred to in Mr. Luxford's memorandum, Dr. Burgess and I conferred with Mr. Winthrop Aldrich, President of the Chase National Bank, Thursday morning for about one hour and fifteen minutes on the same subject discussed with the other representatives of the banking institutions.

Dr. Burgess explained that he and I both had been a little worried about the apparent rift between the Treasury and the bankers and we had discussed the matter of getting the two together on some compromise basis, short, of course, of another world conference on these agreements. He went into his previous conferences with Mr. Luxford and Mr. Bernstein and his subsequent conferences with these two gentlemen and myself and Mr. Sproul, Mr. Williams, Mr. Fraser and Mr. Potter and himself. He said that after pointing out what was desirable in connection with the bankers' program, he was amazed at what Mr. Luxford and Mr. Bernstein were able to do by amending the present bill to meet the objections of the bankers. He thought they had gone a long way and that while he would still prefer not to have the Fund at all but only the Bank at this time, he felt that a great many of his objections had been removed.

He also told Mr. Aldrich that Mr. Potter and Mr. Fraser both said that the memorandum that these boys had drafted, if adopted, would eliminate many of their fears and so far as they were concerned they would be willing to accept it. Dr. Burgess then asked me what attitude Mr. Sloan Colt had taken in the conference which I had had with him the previous afternoon.

I told them that Mr. Colt was most enthusiastic about the memorandum and said he felt that he could



- 2 -

readily accept it. He was particularly pleased with the provisions requiring the Council, the Governor and the Executive Directors to report to Congress within not more than two years on the operations of the Bank and Fund; whether or not they should be merged; and to make recommendations with respect to any other changes that might need to be made.

Dr. Burgess then told Mr. Aldrich the various points that had been discussed and the suggested amendments to the bill which would take care of those points. Mr. Aldrich said that it still did not settle the main questions -- as to what to do with the British and the trade restrictions. We told him that these were separate questions and could not be included in any bill on Bretton Woods. They would have to be handled at different conferences.

Mr. Aldrich then raised a few other questions about the need for the Fund and its questionable soundness, and the charge that the bankers had been speculators in foreign exchange. Dr. Burgess undertook to answer most of these and expressed his opinion on two or three occasions that he did not feel nearly so strongly as Mr. Aldrich had expressed himself.

I made it quite clear to him that all I was trying to do in New York was to get the bankers and the Treasury together on Bretton Woods along the lines that Mr. Burgess had outlined, and told him that the bankers and the Treasury had cooperated over the last several years, and particularly had cooperated in financing the war, and I thought that some of the problems with which we will be confronted in the post-war period will be as difficult, if not more difficult, than the war financing problems, which made it vitally necessary that the Treasury and the bankers continue to cooperate. I said that the bankers would no doubt hold approximately one-third of the debt, which virtually made us partners, and it was necessary for us to get along together.

Mr. Aldrich said he thought we should get along, but he found it rather difficult to get along with the Treasury. He said the Treasury was now bringing suit against his bank which in his opinion was not at

- 3 -

all justified. He thought the Secretary, having supervision over the national banks, owed him the duty when he found something wrong in the administration of Foreign Funds Control, to call the head of that bank to Washington and discuss those failings before filing suit. Certainly the Treasury does not think that the Chase National Bank wants any person in its employ who would violate Federal regulations and he would be the first to fire such an employee if he found that he was guilty. He said he had investigated the charges made by Foreign Funds Control and he does not think there is any justification whatever for the charges. This is borne out by the fact that he did not fire the individuals involved and the further fact that he intends to fight the suit with all the power at his command. Also, the Treasury sent examiners to Paris, France, to examine the Chase Bank branch there. They made their examination and brought the data back to this country after having kept the Chase files for a number of months. He has asked repeatedly to be furnished with the facts found by the Treasury in its investigation of this branch, but the Treasury refuses to furnish him any information. He made it clear that he does not want the opinion of the examiners, but he would like to have the factual data. He has no information concerning the branch or its operations during the occupation other than what was brought back by some individual concerning one of his managers, whom he fired as soon as he found out what he had done. As to whether other employees involved are guilty he does not know.

He seemed very bitter against the Treasury because of these two instances. He also said that within a day or two after the ABA report came out, the Secretary of the Treasury called up the Attorney General to get busy in the Chase Bank suit.

I told him that I did not think that that could possibly be any more than a routine check-up by the General Counsel's office of a case pending in the Department of Justice, that this was being done about every month on our cases over there.

He said he knew differently, that in this case

- 4 -

the Attorney General had told him that he was compelled to move forward because of a call from Secretary Morgenthau.

I also told him that the report on the Chase branch in Paris was not yet ready for the Secretary but I hoped that it would be within the course of the next week or ten days, at which time we will determine whether it could be made available to the bank.

He said he did not see why it took so long. They are just as anxious to get the thing cleared up as we are and if anybody in the Chase Bank did anything wrong they want to get rid of him.

There was another matter to which he referred, involving trading in German marks, and helping out the German-Japanese factions, with which I am not at all familiar. He said on this case he wrote the Secretary of the Treasury early in 1941, saying that he was worried about it, did not like it, and would like to get the Treasury's views as to whether he should stop it or allow it to continue. He said he had a letter from the Secretary, over the Secretary's signature, thanking him for calling the matter to his attention and saying he would be advised if the Treasury wanted him to take any action in the matter.

I told Mr. Aldrich it seemed to me that these were cases between him and the Treasury and should not in any way influence Bretton Woods, that what we were discussing now was a matter between the Treasury and the American Bankers group and I would like to confine it to that, but every time we started to discuss the matter of Bretton Woods, he would return to the manner in which he had been treated by the Treasury. Finally, just about the time the conference broke up, he said that aside from all this discussion it was a good thing for the Treasury and the bankers to get together. He did not feel that the bankers had to compromise, that they had made their case and by standing pat he thought they would get what they recommended, but if it was a matter of permitting the Treasury to save its face he was willing to help out in this situation.

- 5 -

I told him that it was not a question of saving anybody's face and particularly the Treasury's face. We did not think we were in a position where we had to save our face but I personally thought it was a good thing to get the bankers and the Treasury together. If the bankers do not think that is necessary, then we will go on our way, but certainly no one should enter this with the idea that they have to save the Treasury's face.

He seemed ~~not~~ to apologize for the remark, saying that it was an unfortunate expression. I told him I agreed that it was unfortunate. But anyway, he said he would take the document which Dr. Burgess had handed him, read it over and discuss it further in the next day or two with Dr. Burgess and the group that he was calling together for that purpose. He saw no reason why we should not proceed as we had done and if it forms a basis for getting together he would be glad to cooperate.

The conference ended on that basis.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 6, 1945

TO: Secretary Morgenthau

FROM: S. George Little *SL*

Western Newspaper Union has sent me the attached proofs of the article they are running on Bretton Woods which is scheduled to appear April 12.

One set-up is for tabloid newspapers and the other one is for standard size 8-column publications.

This article will most likely appear in about 3500 weekly papers instead of 2500, which was mentioned in our original report.

Bretton Woods Conference Laid Groundwork For a Stable International Monetary System

U. S. Postwar Exports Depend on Soundness Of Foreign Finances

By WALTER A. SHEAD

Stripped of all technical verbiage, the proposals agreed upon by 44 United Nations at the Bretton Woods conference and which are considered an essential part of the world peace plan to be approved at San Francisco April 25, are designed to—

1.—Set up an international monetary fund with a working capital subscribed by 44 nations in gold and member currencies totaling 8.8 billion dollars of which the United States is to subscribe 1.15 billion. This fund is expected to stabilize and safeguard the value of foreign currencies in terms of gold, remove trade barriers in favor of open or reciprocal trade agreements to provide free and open trade among member nations.

2.—Organize an international bank for reconstruction and development with a subscribed capital of 6.3 billion dollars of which the United States is to furnish 1.15 billion. Purpose of the bank is primarily to facilitate creation of foreign loans in private capital markets by providing international guarantees and to make long-term capital loans direct to member nations for specific projects of reconstruction and development.

Why the need for these safeguards? Following World War I American investors took a beating, and in the late 1920s were caught in an epidemic of defaults by foreign debtors. Under the Bretton Woods proposals, these foreign loans would be investigated by the bank and then guaranteed as to principal and interest by the foreign government and the bank. Risks then, of international loans, would not fall on investors themselves, nor even on any one country, but upon all of the 44 member countries. Obviously the objective of the guarantee of loans is to encourage a substantial volume of private international investment which is essential to our own economic well being.

Great Need for Rebuilding.

France, Italy, Norway, Poland, Finland, Czechoslovakia, a large area of Russia, the Balkan nations, large sections of England, China, much of India and Burma, plus the Axis nations of Germany and Japan, have been laid waste by the war, their productive facilities prostrate, their currencies depreciated, and many years will be required for them to rebuild their export industries. They will require foreign capital to get under way.

In our own country we have a tremendously enlarged productive industrial plant. Our agricultural production has reached a new high of efficiency. After the war our economic policy will be aimed at full



During a lull in the proceedings of the Bretton Woods conference, U. S. Secretary of the Treasury Henry Morgenthau (center) got into informal conversation with the Hon. J. L. Derry, minister of Finance for Canada and chairman of that nation's delegation (left), and M. S. Stepanov, chairman of the Russian delegation. These chairs helped to iron out many of the smaller problems.

world price of wheat or other commodity in terms of our own dollars, will not be seriously disturbed by large fluctuations in the principal exporting and importing countries.

Stabilized Currencies.

In the purpose of the international monetary fund is to stabilize and promote a balanced growth of international trade by stabilizing the value of all currencies in terms of each other; progressively remove barriers against making payments across boundary lines, such as high tariffs or other trade restrictions; and to provide a supplementary source of foreign exchange to which a member country may apply for the assistance necessary to enable it to maintain stable and unrestricted exchange relationships with other member countries.

For instance, in some countries exporters are not permitted to purchase dollars required to buy goods in the United States. In other countries, of which Germany was an example before the war, foreign trade was disrupted by use of so-called multiple currencies, or barrier arrangements, and during the war many new restrictions have been devised because of military necessity.

The operation of the monetary fund is intended to remove all these restrictions and set up a standard and uniform practice, currency value and exchange rates so that American business may have the greatest possible freedom in international trade in the postwar era. The same freedom is intended to be provided for business in the other countries, for freedom of business would be meaningless unless these other countries accorded an equal measure of freedom to their own people.

There has been criticism aimed at these proposals from some bankers on the grounds that they are

One of the most important groups to give approval to Bretton Woods proposals is the Committee for Economic Development, headed by Paul G. Hoffman, president of the Standard Oil corporation. This group, made up of bankers, economists and business leaders would even give the international bank further power to make loans for long-term and short-term stabilization purposes, claiming that under the present regulations, the bank does not have that clear-cut power.

There have been some suggestions favoring the establishment of the bank, but suggesting that setting up and operation of the monetary fund be delayed until conditions abroad settle down to normality. It is pointed out, however, that the bank and the fund are closely related, both in concept and organization and that membership in the bank is open only to those who are members of the fund. It is also pointed out that the bank is, to a considerable extent, dependent upon the fund for the reason that the fund must first establish values of the money to be loaned by the bank if there is to be a smooth long-range planning and investment program.

While most sound economists agree there must be some system of international control or agreement after the war, the only alternative offered has been a system of bloc agreements. These are regarded by many as dangerous, since such bloc agreements likely would lead to a world divided politically and economically. Eventual conflict between these groups would be likely.

Chances for Leadership.

Pointing to the leadership the United States has maintained during the war, fiscal experts here declare that never before has this nation enjoyed such a key position or had such an opportunity to take over world leadership in the economic

make long-term capital loans direct to member nations for specific projects of reconstruction and development.

Why the need for these safeguards? Following World War I American investors took a beating, and in the late 1920s were caught in an epidemic of defaults by foreign debtors. Under the Bretton Woods proposals, these foreign loans would be investigated by the bank and then guaranteed as to principal and interest by the foreign governments and the bank. Risky State of international loans, would not fall on investors themselves, not even on any one country, but upon all of the 44 member countries. Obviously the objective of this guarantee of loans is to encourage a substantial volume of private international investment which is essential to our own economic well being.

Great Need for Rebuilding.

France, Italy, Norway, Poland, Finland, Czechoslovakia, a large area of Russia, the Balkan nations, large sections of England, China, much of India and Burma, plus the Asia nations of Germany and Japan, have been laid waste by the war, their productive facilities prostrated, their currencies depreciated, and many years will be required for them to rebuild their export industries. They will require foreign capital to get under way.

In our own country we have a tremendously enlarged productive industrial plant. Our agricultural production has reached a new high of efficiency. After the war our economic policy will be aimed at full employment and full utilization of our agricultural and industrial facilities. To realize these aims new outlets for the products of farm and factory must be found and these prospective foreign countries provide a ready market, providing that American exports take the form of American investments abroad—good American dollars—for if these nations are to buy a large volume of our productive machinery, our industrial and agricultural products in the immediate postwar period, American investors will have to look part of the purchase money. Under the functions of the international bank, these investors will have the assurance that these investments are sound and remunerative.

Under the operation of the monetary fund, as distinguished from the bank, for the protection of our investors, currencies in all these countries must be stabilized in terms of gold and at equitable rates of exchange. The United States holds 40 per cent of the world's gold supply. Economic point out there must be elimination of exchange fluctuations, of discriminatory exchange practices, of competitive currency depreciations, if the American dollar is to be protected.

For instance, how can the American farmer be protected in the world market if a sizable wheat producing country such as Russia and Argentina can resort to monetary action which places the wheat producers of those countries in a preferred position with respect to American wheat exporters? If the American farmer is to continue to export wheat or any other commodity, and to receive a fair price in good American dollars for his product he sells at home, he must know that the

the purpose of the international monetary fund is to stabilize and promote a balanced growth of international trade by stabilizing the value of all currencies in terms of each other; progressively remove barriers against making payments across boundary lines, such as high tariffs or other trade restrictions; and to provide a supplementary source of foreign exchange in which a member country may apply for the assistance necessary to enable it to maintain stable and unvaried exchange relationships with other member countries.

For instance, in some countries importers are not permitted to purchase dollars required to buy goods in the United States. In other countries, of which Germany was an example before the war, foreign trade was disrupted by use of so-called multiple currencies, or barter arrangements, and during the war many new restrictions have been devised because of military necessity.

The operation of the monetary fund is intended to remove all these restrictions and set up a standard and uniform practice, currency value and exchange rates so that American business may have the greatest possible freedom in international trade in the postwar era. The same freedom is intended to be provided for business in the other countries, for freedom of business would be meaningless unless these other countries accorded an equal measure of freedom to their own people.

There has been criticism aimed at these proposals from some bankers on the grounds that they are contrary to sound and established banking practice. There has been praise and approval from other bankers.

As a matter of record, criticism from bankers, at least some banking groups, has been directed at any departure from established custom, that is, custom and practice established by the bankers themselves. For instance, some banking groups criticized bank deposit insurance. Criticism was aimed at government guaranteed loans on homes and farms; at 30-year loans on homes when the custom had been 3 to 5 years; at 4 and 5 per cent interest rates, when the practice had been 8 to 10 per cent and higher. These practices today, however, are an accepted part of our domestic economy.

Criticism from the larger international bankers has been directed at the Bretton Woods proposals, no doubt because governments will control fiscal and monetary policies on an international scale, and also because interest rates under these proposals will be lower.

U. S. Benefits Most.

Another criticism has been directed at the bank and the fund because the United States is the largest subscriber. It is urged here, however, that from any fair standard, this country should be the largest subscriber because we have more to gain than any other country. We have the money to lend, we have a large part of the world's gold and we have the facilities no other nation has to provide export goods in the immediate postwar period. Lastly, we have been unharmed by the ravages of war insofar as our material wealth is concerned.

And finally, should not the international bank further power to make loans for long-term and short-term stabilization purposes, claiming that under the present regulations, the bank does not have that clear-cut power.

There have been some suggestions favoring the establishment of the bank, but suggesting that settling up and operation of the monetary fund be delayed until conditions abroad settle down to normalcy. It is pointed out, however, that the bank and the fund are closely related, both in concept and organization and that membership in the bank is open only to those who are members of the fund. It is also pointed out that the bank is to be a considerable extent dependent upon the fund for the reason that the fund must first establish values of the money to be loaned by the bank of there to be a smooth long-range planning and investment program.

While most sound economists agree there must be some system of international control or agreement after the war, the only alternative offered has been a system of bloc agreements. These are regarded by many as dangerous, since such bloc agreements likely would lead to a world divided politically and economically. Eventual conflict between these groups would be likely.

Chance for Leadership.

Pointing to the leadership the United States has manifested during the war, fiscal experts here declare that never before has this nation occupied such a key position or had such an opportunity to take on world leadership in the economic field. Governmental leaders, including Secretary of the Treasury Henry Morgenthau, look upon the Bretton Woods agreements as just as essential to world peace and security as the Dumbarton Oaks agreements. Secretary Morgenthau maintains they are inseparable. Hence his urgent appeal to the congress for legislation which will insure this nation's participation prior to the world pact at San Francisco April 25.

Acceptance by the congress of these agreements before convening of the delegates of United Nations at San Francisco, these leaders say, would be taken as a happy augury of this nation's ascendancy. It would give notice to all that the United States, instead of choosing economic isolation, which would inevitably lead to political isolation, is already on record with a determination to do our part toward the attainment of world peace and security.

In a special message to the congress February 20, President Roosevelt, referring to the Bretton Woods proposals, said: "It is time for the United States to take the lead in establishing the principle of economic cooperation as the foundation for expanded world trade. We propose to do this, not by setting up a supergovernment, but by international negotiation and agreement, directed to the improvement of the monetary institutions of the world and the laws that govern trade. . . . the international fund and bank together represent one of the most sound and useful proposals for international collaboration now before us."

And that is what the Bretton Woods proposals are designed to do . . . a product of the best minds of the 44 United Nations of the world.

Dr. H. H. Kung, minister of finance for China and chairman of the Chinese delegation, talks over international finance with Lord Keynes of England, famed economist and monetary authority, who heads the British group of delegates. Chinese currency has been derelict by inflation, a result of the long war with Japan. British bankers are concerned about Chinese financial stability, not only as part of the world monetary situation, but because of the extensive British business interests in China.



MEMORANDUM FOR THE SECRETARY.

April 6, 1945

Mail Report

With no new subjects to spur it on, mail fell short of the summit it reached last week. Receipts dropped off evenly along all lines, and very few of the letters that were received offered material for the week's abstract.

There was still quite a bit of interest in the Treasury's drive against tax evaders, but most of the communications on this subject were anonymous and merely named individuals or businesses that should be investigated. Several of these unsigned letters, and a few signed ones as well, urged the calling in of large bills, to curb blackmarketing and tax evasion. Outstanding in other tax mail were the protests against tax exemption for co-operatives, which, it was said in a number of well-written letters, could be a source of substantial Federal revenue.

The Seventh Drive was again the most popular bond topic. Further replies to the form telegram of March 18, and to the banking institution letter of March 20, continued to give assurances of cooperation, as did the responses to the more recent letter sent by the War Finance Division on March 26. Several writers submitted poems or slogans for use on the Iwo Jima poster to be used in the coming drive, and others suggested new types of bonds that might be offered. Two additional industries wired that they had already exceeded their quotas for the Seventh.

The general reduction in mail this week also brought a decline in the number of complaints about delays in receiving bonds, interest, etc., and only half a dozen bonds were forwarded to this office for redemption.

- 2 -

Memorandum for the Secretary.

April 6, 1945.

Much of the miscellaneous mail concerned international affairs such as the Bretton Woods Proposals, peace terms, and postwar plans. Among the last, there continued to be both approval and disapproval of the so-called Morgenthau plan.

Although mail receipts from the White House during March showed small increase over those received in February, the total of 220 letters was still quite low, particularly in comparison with preceding years in which receipts for March have usually ranged from 500 to 700. Fifty of the 220 communications were acknowledged in the Correspondence Division, and the others were re-routed or filed.

B. E. Finkbeiner
by Ray Pearson

General Comments

M/Sgt. Herman Antis, Italy. Please accept the enclosed United States Postal Money Order for \$2.00 as a gift to the United States from an overseas soldier who appreciates more and more each day what a great, just country he left behind.

Harry C. Westover, Collector of Internal Revenue, Los Angeles, California. During the past several months we have been receiving letters over your signature relative to matters concerning employees of the Treasury Department. I want you to know that these letters are greatly appreciated by our personnel, and we are all cognizant of the fact that you are concerned with our welfare. I know you are interested in any program which will build up the morale of those in this service, and your letters are certainly accomplishing their purpose. One of the things which we have had to contend with during the past few years has been the inequitable differences between the salaries paid to members of the Internal Revenue Department and those paid to employees of war industries. We have lost many of our best employees because they were offered greater opportunities in private industry, and anything that can be done to increase the financial reward of our employees will, I am quite sure, work to the betterment of the Department. Our personnel is very much interested in the Bill introduced by Senator Downey, and we trust that before many months this Bill may be enacted into law. We all look forward with anticipation to your letters.

Roy A. Gould, President, Timber Operators Association, Mayfield, Washington. We have been advised that our publication, The Timber Operator, has been brought to your attention and that you are pleased with the manner in which we are advertising surplus war properties that

- 2 -

are for sale. We wish to take this opportunity to commend you in behalf of our Association on the manner in which you are carrying on the sale of surplus properties. We think you are doing an excellent job and are glad to help our members and subscribers by listing the properties for sale in the magazine.

Nicholas Bela, Executive Secretary, National Origins Council of America, Los Angeles, California. At the membership meeting of our Council, held on March 28, 1945, a resolution was unanimously passed by the representatives to support the Bretton Woods Agreements as is. I have been authorized by a vote at the meeting to extend to you the organization's full backing, and to congratulate you on your great work of outstanding statesmanship. We request that you send us material on the Bretton Woods Agreements in adequate quantity to educate our approximately 90 member organizations.

Charles W. Davis, Detroit, Michigan. I am enclosing Disability Compensation check for \$50.00, "Payable to the Treasurer of the United States for War Effort". I am pleased to return this check to be used for War Effort, and will continue to do so whenever possible.

- 3 -

Unfavorable Comments on Bonds

Lewis C. Nelson, Commerce Building, St. Louis, Missouri. My brother, Lieut. James M. Nelson III, U. S. Coast Guard, is at the present time and has been for approximately the past nine months, on active duty in the Southwest Pacific. During his absence I have been taking care of his business and other affairs for him and have in my possession a Power of Attorney, properly executed and acknowledged by his Commanding Officer. * * * Today I attempted to present for redemption to the Federal Reserve Bank of St. Louis one \$50.00 Series "E" War Savings Bond, registered in my brother's name. I presented to the Federal Reserve Bank the original executed copy of the above-mentioned Power of Attorney. I was told that this Power of Attorney could not be honored and that no Power of Attorney whatever, regardless of how drawn, would be recognized by the Treasury Department for the redemption of War Savings Bonds. I was told in order to redeem the \$50.00 bond it would be necessary that I mail Form PD 1522 to my brother in the Southwest Pacific for his signature. I have used the above-mentioned Power of Attorney many times in the past few months to sell shares of stock owned by my brother, to withdraw funds from his bank accounts and to transact various business in his name. I desire to protest strongly against the perfectly ridiculous regulation of the Treasury Department that will not allow a perfectly valid Power of Attorney, executed by a man fighting for his country overseas, to be used to redeem obligations of the United States of America. If the Transfer Agent of a large company will recognize this Power of Attorney, if a bank will recognize it, if first class legal talent declares that it is in all ways valid and binding, it is beyond the powers of human conception why the Treasury Department refuses to recognize it as such. My brother has been for the past several years, and still is, purchasing a \$50.00 Series "E" War Savings Bond out of his salary every month. Unless this perfectly ridiculous regulation is changed I will be forced to write him and advise him as a matter of sound business not to buy any more U. S. War Bonds.

- 4 -

Lester G. Saeaman, Attorney, National Surety Corporation, New York City. On December 1, 1944, the messenger of the Security Bank, Louisville, Kentucky, enroute to the clearing house was held up. Among the items taken was a number of Series "E" War Bonds as per list attached to this letter. These bonds were cashed by the Security Bank for the amounts shown on the attached list. Each bond has a rubber stamp notation on its face that the bond was paid. On the same day the robbery occurred the Security Bank wrote the Treasury Department, Division of Loans & Currency, Merchandise Mart, Chicago, Illinois, advising them of the theft and ordering payment stopped on the list of Series "E" Bonds attached to that letter. On December 12, 1944, I wrote the Treasury Department at Chicago, in which I requested payment stopped on the bonds and the proper procedure for the Security Bank to recover its money. No answer was received from the Chicago office in response to my letter of December 12 nor the Security Bank letter of December 1, 1944. I wrote our National Surety Corporation office at Chicago to make a personal call on Mr. A. E. Wilson at your Chicago office. I was told that the matter was given attention and in February I received a letter from our Chicago office advising that the matter was being referred to Washington for decision, and that I would hear from some one within the next two or three weeks. Since then I have heard nothing from anybody. * * *

William A. Weaver, President, The Arabol Manufacturing Company, New York City. This acknowledges your circular letter of March 26th announcing that the Seventh War Loan Drive will take place shortly. We wish to assure you that this company and its employees will again do its share in helping to make this Drive a success. However, there is one thing I would like to point out to you which might have some bearing on the sales to our employees -- during the past two years the Board of Directors of this company authorized the payment of a two weeks' Christmas bonus to this company's employees. We suggested payment to the employees of one week in cash and the other week's bonus to be used by the company

- 5 -

on behalf of the employees to purchase for them U. S. War Savings Bonds, which we agreed to hold until after the War, and the Salary Stabilization Unit of the Treasury Department denied our application for the second week's bonus. * * * If this had been approved it would have resulted in the purchase of possibly \$8,000 U. S. War Savings Bonds each year. We did not write letters this year pertaining to the 1944 Christmas bonus but we contacted the Treasury Department, again making the proposal that the second week's Christmas bonus be given in U. S. War Savings Bonds, and we were again rejected. I am just bringing this to your attention at this time so that you can see that our employees do not feel so kindly toward subscriptions to War Bonds when they are denied the privilege of receiving extra funds to purchase them.

Howard J. Chidley, D.D., Winchester, Massachusetts.
I received your recent communication about the coming Liberty Loan Drive. If this is a trial balloon to test the sentiment of the churches, being used by the New Deal to further its interests, I will say in no uncertain terms that while I am heartily in favor of giving every support to the Armed Forces, I am not in favor of having the church used as a government agency, especially in a country where the church and state are separate. Rather than have my church used in this way, I would die on its doorstep, fighting for its liberty. The New Deal has laid its hand on judiciary, industry, radio, newspaper, education, and what-not.
* * *

- 6 -

Favorable Comments on Taxation

Herman Steinbruch, Radio Advertising Manager, VARIETY, New York City. In my opinion there is a perfectly legitimate way for the Government to handle the "royalty" matter recently precipitated by Petrillo and Lewis. Until such time as legislation is enacted, outlawing royalty assessments by labor unions, the Treasury Department can and should enforce collection of taxes based on income from such royalties. Form #990, currently used by organizations exempt from tax provides a suitable space under Item 6 (Page 2) titled "Gross Receipts from Business Activities", for listing such income. Since revenue resulting from royalty payments, irrespective of the source, and regardless of the purpose for which used, is clearly income, it should be reported as "income from royalties". While the enforcement of such tax collection might be tantamount to admitting the legality of royalty assessments by labor unions, the position of the Treasury Department is clearly defined and might serve as a warning.

- 7 -

Unfavorable Comments on Taxation

William H. White, Jr., Clark Hall, University of Virginia, Charlottesville, Virginia. I recently read with considerable interest that the Bureau of Internal Revenue was making a study of the so-called cooperatives. I happen to be a director of a company engaged in a highly competitive business and among its competitors are many so-called "farmers' co-ops". The corporation, which I referred to, in 1944 will pay to the United States upwards of one million dollars in taxes, whereas its cooperative competitors will pay nothing. The disadvantage to which the taxpaying corporation is subjected is perfectly obvious. Let me give you another illustration. I happen to know of an individual carrying on a very successful business largely on borrowed money. His business is so successful that he is in a high tax bracket, with the result that after paying taxes he has so little net income remaining that he is unable to reduce his bank obligation appreciably. He now contemplates turning his business into a "co-op" in which he will still retain a very large interest. The result, of course, is self-evident -- no Federal or State income tax to pay, so the bank loans may be promptly paid off. * * * Undoubtedly an amendment to the income tax law to include "co-ops" will meet the opposition of the "farm block"; but after all, why should not these "co-ops" of many types, which compete with legitimate taxpaying corporations, bear their share of the expenses of Government. If fairness is the basis, then, of course, there is only one answer. They should be taxed precisely like the corporations.

- 8 -

Claude R. Bossler, Johnstown, Pennsylvania. I am one of United States Steel Corporation's Poor Pensioners. They are supposed to be paying me \$148.00 a month, but they deduct \$13.00 a month as a withholding tax I have to pay on that little pension. With the cost of everything my wife and I eat and wear going up in price, that \$135.00 a month doesn't go very far. There should and must be some relief for the little pensioners who must live on a small fixed income which continues to shrink.

Mrs. Henry A. Gosan, Carolina Beach, North Carolina. Around the middle of February, I received a statement from the Collector of Internal Revenue, Brooklyn, New York, of an indebtedness of \$27.13. This was supposed to cover that part of my husband's 1943 income tax, payment of which I was permitted to postpone until March 15, 1945. I immediately wrote them that since my husband had entered the Army in August 1942, and our income since that time has always been below the taxable minimum, I could not understand the charge and requested a clarification. Although I had received no reply as the deadline date approached, I decided to pay it anyway, just to be on the safe side. On March 10, I sent a check, at the same time repeating my request for an explanation. Subsequently, my husband, who is overseas, wrote me that he had reviewed the matter last year and found that he had no further indebtedness and filed accordingly. Therefore, my payment was erroneous. Although it is close to 3 months since I made my original inquiry, I still have received no reply. I think you can well understand that with my husband in service, I have difficulty enough just making ends meet and can ill afford to make any unwarranted cash outlays. I therefore appeal to you in the hope that you may be able to arouse my local office, at least to the point of acknowledging receipt of my communications and trust that a refund will be made as soon as possible.

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

DATE April 6, 1945.

SECRET

TO : Mr. Hoffman, Treasury Department
FROM : Mr. Fetter, LP, State Department
SUBJECT :

In accordance with your request in our phone conversation I am enclosing a copy of the memorandum presented to the President on March 29, on proposed lend-lease arrangements with Belgium and the Netherlands. As you know, this was approved by the President.

Enclosure.

SECRET

March 29, 1945.

MEMORANDUM FOR THE PRESIDENT

Subject: Proposed Lend-Lease Arrangements
with Belgium and the Netherlands

We have been discussing lend-lease and reciprocal lend-lease with representatives of Belgium and the Netherlands. Having signed the 3-C agreement with France, we feel that political considerations make it desirable to have agreements on similar lines with Belgium and the Netherlands. In each case the gold and dollar position, the future balance of payments, and the volume of reciprocal aid would be taken into account.

We have worked out a Belgian-Luxembourg proposal of a relatively smaller amount than the French agreement. The proposal contemplates \$325 million for the remainder of the calendar year and follows in general the pattern of the recent French agreement, with no item for transfer of title to ocean shipping. We are also examining proposals for the Netherlands. In each case the nature, extent and duration of lend-lease will be determined by the contribution which such aid will make to the prosecution of the war and we shall provide for periodic review of the program in the light of the changing war situation. Consideration is also being given to an arrangement with Norway.

If you approve, we shall immediately move forward with the representatives of Belgium and the Netherlands and possibly Norway looking towards early conclusion of such arrangements.

We do not intend to conclude any of these agreements until Congress has approved the extension of the Lend-Lease Act.

Acting Secretary of State

Secretary of the Treasury

Foreign Economic Administrator

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 6, 1945

TO

Secretary Morgenthau (For information)

FROM

Mr. Coe *PC*

This is an important article on what the Ruhr industrialists
may be trying to do.

RHENISH INDUSTRY BACKS SEPARATISM

Manufacturers Seek to Save
Properties, Disabling
Any Nazi Connection

By RICHARD BARNHILL

It is shown in the new book, "The
RAID GOVERNMENT," Germany's
MAJOR IN (Düsseldorf)—the book
is a study of the Rhineland, the
country's leading industrial area, and
its position in the German economy.
It is a study of the Rhineland, the
country's leading industrial area, and
its position in the German economy.

Under this stimulus a new
German separatist movement has
arisen, especially with some
of the leading industrial firms.
The movement is not a new one,
but it has been revived in the
last few years. It is a movement
of the Rhineland, the country's
leading industrial area, and its
position in the German economy.

The separatists hope that the
Hitlerite body will get them to
leave America and British support
for their plans. They say that
only a liberal Christian Government
can save a Ruhr area which has
been a source of trouble between
Germany and the world since 1918.
They say that the only way to
save the Ruhr is to leave it to
the world, and that they are in
a position to do so.

Reasons Unchanged

The same reasons that they give
for the necessity of establishing an
independent Rhineland state are the
reasons that they gave a few years
ago for supporting Adolf Hitler
and the Nazi party. Now they are
anti-Nazi and anti-Hitler because
they have felt the danger to their
business. It does not follow that in
thinking along social and economic
lines they are any less Fascist now
than they were five or ten years
ago. The real danger is that if
the Allies permit a state to be
set up in the Ruhr, it would be
a state that would be a danger to
the world, after peace has been
established and the occupation
was over, to vote themselves back
into Germany.

According to the supporters of
the separatist movement, the
Rhineland's industry could be
saved safely by the Allies, for
they argue, the danger to the rest
of the world lies merely in the
domination by Prussian au-
thority, which used it primarily for
militaristic purposes. In the new
state that they envisage, they hold,
this danger would not exist. Still
along among them was an
anti-Nazi line, they say.

One of the first things that
struck the investigator of current
events in the Rhineland is the ques-
tion to which thought on the ques-
tion of a separate Rhineland state
has crystallized. There is striking
similarity among these interviews
on the Rhineland and the form of
the separatist movement. The
separatists feel that the United
States and Britain are the only
states that stand self-contained
and for standing self-contained
in Europe and they feel that the
least that the western Allies can
do is to preserve the western half
of Germany from occupation.
But the attitude of the occupying
authorities is making them com-
municable anxiety, for their own
forces have received a cold welcome
and the recent arrest of a big coal
operator at Essen has caused
some misgivings among them.

Not in Our Own Hands

What most Rhinelanders seem
not to realize is that this part of
Germany, while in the American
fighting zone now, will not be so
after the American zone of occupation.
It has been allotted to the British,
who are now under a duty to be dis-
cussing a division of authority with
the French. The last thing that
the Germans in the Rhineland
want is to be under a French or
British army of occupation. They
would prefer British or American
occupation because they know that
these countries have short com-
munications. Among the handful of
Germans who have access to infor-
mation from outside the Ruhr region
is the United States zone to oc-
cupy the most important part of
Germany and its capital, leaving
the industrial regions of Berlin to
the Russians and its wealthiest sec-
tion to the British, are a hint that
President Roosevelt's commitment
to Europe is of a short rather than
of a long-term nature.

Most separatists contemplate a
"Westdeutscher Staat" the eastern
boundary of which would be the
Ruhr River. The Ruhr basin
would be the southern boundary
and the state would include West-
phalia. Such a state would be
highly industrialized and would
have a mixed Catholic majority but
the bulk of property, as at present,
would be owned by Protestants.
There seems to be general agree-
ment that the capital of the pro-
posed state should be Cologne, some
50 per cent ruled by Catholics and
50 per cent by Protestants. A number
of Rhinelanders are of the opinion
that the Rhineland state should
have some control over the Ruhr.

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

DATE APR 6 1945

TO Secretary Morgenthau

FROM William O'Dwyer

I am sure you will be interested to know that we have just made arrangements with the War Department for the sale to the War Refugee Board of 206,000 parcels of this Government's present reserve of prisoner of war packages now in Switzerland, on condition that the parcels be repackaged before shipment by the War Refugee Board into Germany. We are now working out the details of the transfer and repackaging.

We are very pleased over this because it now assures us of an adequate supply of food to be shipped by truck from Switzerland. During the past two weeks, we have thoroughly explored the problem of obtaining food from sources in the United States and it is clear that, even under the best circumstances, it would take many months before packages could be prepared for shipment to Europe.

MS

25 ✓

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

DATE April 6, 1945

TO Secretary Morgenthau

FROM Miss Model

For your information

General O'Dwyer has asked me to advise you that he called Mr. McClelland on the telephone this morning to get the latest report on our program from Switzerland. Five trucks are leaving Switzerland Monday, April 9th, for Lubeck in the northern part of Germany, carrying 60 tons of parcels and fuel. Four more trucks are leaving Switzerland April 18th for the Dachau camps which are near Munich. 30,000 War Refugee Board parcels will go forward by railroad from Switzerland to an International Red Cross depot near Ravensburg, Germany. With this movement under way, it is contemplated that the 60,000 War Refugee Board parcels still in Switzerland will be cleared out of Switzerland within the next two weeks. This clearly points up the need for the prisoner of war parcels which General O'Dwyer reported to you yesterday had been arranged for with the War Department. Mr. McClelland was delighted with this news and he will work out at once all the details of repackaging in Switzerland. Mr. Katzi has arrived in Switzerland from Paris and will stay in Geneva for the next week to work closely with the International Red Cross on the details of this program.

With respect to evacuating refugees to Switzerland, McClelland reported that it is expected that a truck convoy will arrive in Switzerland very shortly bringing 300 women, children and aged people. He stated that the Germans had not yet finally agreed to the use of our trucks for evacuating refugees to Switzerland.

Loana Model

26

DEPARTMENT
OF
STATEINCOMING
TELEGRAMDIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTIONDDG-747
Distribution of true
reading only by ~~radio~~
arrangement. (SECRET 17)

Bern

Dated April 6, 1945.

Rec'd. 12:35 p.m.

307
LIAISON
Secretary of State

Washington

US URGENT

1988, April 6, 11 a.m.

FOR O'DWYER OF WHB FROM MCCLELLAND.

Arrangements with ICRC for securing trucks to transport WRB food parcels into Germany for civil detainees are shaping up as follows: Six Renault trucks will be available for loading morning April 9 and should depart on April 10. ICRC's Division of Special Assistance still hopes send them to Berlin - Lurbeck - Hamburg area to relieve rapidly worsening condition of detainees in concentration camps of Oranienburg, Ravensbrueck and Hamburg Neutengamm. If it proves impossible to dispatch trucks this area they will be sent Munich region and east.

Prospects are good getting four to six more Renaults moving by April 13.

These French trucks, although new, all required light overhauling, painting with ICRC insignia, etc., which has delayed their use.

With tires

WARNING

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

-2- #1988, April 6, 11 a.m., from Bern.

With tires and diesel oil procured for ICRC by board's efforts committee hopes make at least four trucks available also next week for our program.

Since it is quite possible that only areas of Munich and to east and northeast thereof will be accessible in future it is planned to direct relief shipments by truck mainly to these regions taking in camps of Dachau, Landsberg Am Lech, Flossenburg and Hamthausen near Linz, including emergency relief to evacuated deportees on roads. These shipments would be apart from any that might go to Lurbeck area.

Recent news from Germany indicates that almost all internal telephone and telegraph communications are disrupted so that individual camp commanders are progressively more isolated. Little or no centralized SS control, therefore, appears to exist which may tend to preclude any general last minute extermination of large group civil detainees.

ICRC reported this afternoon that truck convey carrying 300 French women and small children, presumably civil detainees, is expected to

arrive

28

-3- #1988, April 6, 11 a.m., from Bern.

arrive Kreuzlingen tomorrow.

Exact area or camp from which these persons come is still unknown.

Herbert Katski arrived this afternoon, April 5 from Paris and will actively work with me on these UNH programs.

All further significant developments in situation will be reported to Board.

HARRISON

JT

MP-749

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

Bern

Dated April 6, 1945

Rec'd 1:32 p.m.

Secretary of State

Washington

1996, April 6, 2 p.m.

AMERICAN INTERESTS GERMANY.

Department's 1061, March 14, 1127, March 19.

McClelland will endeavor include in Philippoville

convoys all six civilians thus far certified fit for travel (Frieda, Gertrud and Helms Hassenberg, Rachel Fuldauer and two children). In event three remaining sick civilians, Berthold Knoller (Haitian), Jacob Levy (Bosnian) and Radolph Freedman (alleged American) are physically able undertake journey before two refugee groups leave Switzerland, Legation assumes Department would be agreeable their transfer to Philippoville.

HARRISON

JMB

31

Bern

Dated April 6, 1945.

Rec'd. 12:35 p.m.

Secretary of State

Washington

US UNOSNY

1945, April 6, 11 a.m.

Arrangements with ICRC for securing trucks to transport WRB food parcels into Germany for civil detainees are shaping up as follows: Six Renault trucks will be available for loading morning April 9 and should depart on April 10. ICRC's Division of Special Assistance still hopes send them to Berlin - Luebeck - Hamburg area to relieve rapidly worsening condition of detainees in concentration camps of Oranienburg, Ravensbrueck and Hamburg Neuengamme. If it proves impossible to dispatch trucks this area they will be sent Munich region and east.

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32

#1945

-2-

April 6, 11 am., from Bern

Recent news from Germany indicates that almost all internal telephone and telegraph communications are disrupted so that individual camp commanders are progressively more isolated. Little or no centralized SS control, therefore, appears to exist which may tend to preclude any general last minute extermination of large group civil detainees.

ICRC reported this afternoon that truck convoy carrying 300 French women and small children, presumably civil detainees, is expected to arrive Kreuzlingen tomorrow.

Exact area or camp from which these persons came is still unknown.

Herbert Kitzki arrived this afternoon, April 5 from Paris and will actively work with us on these WRB programs.

All further significant developments in situation will be reported to Beard.

JT

HARRISON

33

Bern

Dated April 6, 1948

Rec'd 6:30 p.m.

Secretary of State

Washington.

US URGENT.

2009, April 6, 8 p.m.

FOR O'DWYER, OF WBS FROM MCCLILLAND.

Immediately following your telephone call I contacted ICRC regarding possible need for repacking 206,000 Address POW parcels whose release to ICRC for WBS programs in Germany you have just obtained. ICRC states that under present conditions of distribution in Germany it will definitely not (repeat not) be necessary to repack these parcels. They can be used as they are with exception of possible blacking out of markings, changing labelling, et cetera, all of which can be done locally. These parcels will, therefore, be almost immediately available for our WBS relief shipments.

EAMISON

RB

CABLE TO AMERICAN EMBASSY, ROME, FROM WAR REFUGEE BOARD

Please deliver the following message to Joseph Schwartz,
Rome, from H. A. Leavitt of American Jewish Joint Distribution
Committee:

QUOTE: FREDERICH WHITE APPLIED POST OVERSEAS BORN
NEW YORK JANUARY 25, 1900, EDUCATED RAISED EUROPE
UNMARRIED EMPLOYED AS EXECUTIVE DIRECTOR AMERICAN
JEWISH CONFERENCE CHICAGO OFFICE PAST FIVE YEARS STOP
ALTHOUGH LACKING SOCIAL SERVICE EXPERIENCE HE HAS
COMMUNITY ORGANIZATION EXPERIENCE AND IS VARIOUS
INTELLIGENT FIBROUS ADVISE SOONEST WHETHER WE SHOULD
ENJOY HIM UNQUOTE

4:15 p.m.
April 6, 1945

CABLE TO AMERICAN EMBASSY, ROME, FROM WAR REFUGEE BOARD

Please deliver the following message to Mrs. Hans Klee, c/o Helico
Geneva, 1 Rue de Rhone, from Dr. Abraham Silberschein of World Jewish
Congress:

QUOTE: PLEASE PROCURE DOCUMENTS SELMA SARA SALLINGER BORN
APRIL 16, 1884 HAMBURG THURSTENSTADT HAUPTSTRASSE 8 INNS
ELISABETH MANDEL DECEMBER 14, 1900 DRESDEN STEPHANIE OSCILLER
MADRID JUNE 17, 1933 DRESDEN THURSTENSTADT LOUIS JACOB JUNE
12, 1895 DRESDEN EVA JACOB NEE SIKNER AUGUST 6, 1912 BERLIN
ANNALISE JACOB SEPTEMBER 14, 1934 BERLIN HERGENHEISEN GEORGE
KAMM SEPTEMBER 25, 1861 LUDWIG GEORGE KAMM NEE KAUFMANN
DECEMBER 22, 1877 WIESBADEN THURSTENSTADT STOP ASK MY
SISTER-IN-LAW IF SHE HAS NEWS SELMA SARA SALLINGER STOP ADVISE
LOUISE KAMM HAVE BEEN HUSBAND WILLING TO APPLY FOR VISA
STOP INQUIRE ELSE FISH ADLISWIL ABOUT ANNA FISCHER NEE
TAUSCH ATTORNEY THURSTENSTADT STOP HONORARY PASSPORTS
FAMILY LIEBERMANN ASK ATTORNEY HEDDICH STOP HONORARY TROFF
SUBMITTED TO SISTER-IN-LAW STOP ASK KIANA CAHO LIEBERMANN
THURSTENSTADT ABOUT PAUL BLUMENFELD'S FAMILY. UNQUOTE

THIS IS WITH ROME CABLE NO. 486

4:15 p.m.
April 6, 1945

36

CABLE TO AMERICAN LEGATION, BERLIN, FOR HOLLAND, FROM THE WAR REFUGEE BOARD

Please deliver the following message to Saly Mayer, St. Gall, from
M. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE JOHN PLATOFF, UNION CITY, NEW JERSEY, IMPORTANT FRIEND OUR
ORGANIZATION RECEIVED URGENT APPEAL HELP HIS NEPHEW, MARCEL GORIG,
DEAR FRIENDS UGCA 17, BUDAPEST 4. WE AUTHORIZE YOU GIVE NECESSARY
ASSISTANCE. PLEASE INFORM US WHEN EFFECTIVE. UNQUOTE

THIS IS WER BERLIN CABLE NO. 489

4:15 p.m.
April 6, 1945

37

CABLE TO AMERICAN LEGATION, STOCKHOLM, FOR GLENN, FROM WAR REFUGEE BOARD

Please deliver the following message to Fritz Hollander, Postbox
7306, Stockholm, from Kurt Grossman of World Jewish Congress:

QUOTE REBBI ABRAHAM FODERBERG'S HERZOGHEISEN PLEASE GIVE NAME
PERLITTE VAN TIJN, HOLLAND BATHING. UNQUOTE

THIS IS WER STOCKHOLM CABLE NO. 348

4:15 p.m.
April 6, 1945

38

CABLE TO AMERICAN EMBASSY, MOSCOW, FROM THE WAR REFUGEE BOARD

Please deliver the following message to Emil Sonnenstein, Abraham Herman, Central Committee for Polish Jews, c/o Jewish Antifascist Committee, Moscow, from Arish Tartakower, Chaim Finkelstein, World Jewish Congress:

QUOTE HAVE LEARNED FROM PRESS ABOUT YOUR ACTIVITIES AND WISHED WHY NO COMMUNICATION FROM YOU UNTIL NOW AWAITING YOUR SUGGESTIONS AND COOPERATION PLEASE INFORM ABOUT YOUR NEEDS. PLEASE COMPILE AND DESPATCH US LIST JEWISH SURVIVORS CONTAINING NAMES AGES PARIENTALS PREVIOUS PRESENT ADDRESS AND IF POSSIBLE NAMES ADDRESSSES RELATIVES AMERICA OR ELSEWHERE. OUR DIVISION FOR DISPLACED PERSONS SUCCEEDED IN ACCUMULATING OVER 100,000 NAMES JEWISH REFUGEES NOW SCATTERED ALL OVER WORLD OF WHOM HALF ARE POLISH JEWS REFUGEES IN SOVIET RUSSIA. EVERYWHERE JEWS ARE EAGER TO LEARN ABOUT FATE OF WIVES CHILDREN PARENTS CABLE GREETINGS. UNQUOTE

4:15 p.m.
April 6, 1945

39

CABLE TO AMERICAN EMBASSY, LISBON, FROM THE WAR REFUGEE BOARD

Please deliver the following message to Harold Trobe from M. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE ADVISE SCHWARTZ HIS IMPRESSION ENORMOUS AND WE STILL MUST URGE LARGER REDUCTIONS MONTHLY BUDGETS ESPECIALLY DURING SUMMER MONTHS. MARCH APRIL BUDGETS WERE APPROVED BASIS HIS REDUCED RECOMMENDATIONS DESPITE FEELING SOME MEMBERS CONTINUANCE THIS BASIS MAY NECESSITATE SHARPLY DECREASED BUDGETS SUBSEQUENT MONTHS. MARCH BUDGET SWITZERLAND \$900,000 INCLUDED \$100,000 CARRIED OVER FROM 1944 DEFUND PURCHASES TURKEY. UNQUOTE

THIS IS NEW LISBON CABLE NO. 165

4:15 p.m.
April 6, 1945

40

CABLE TO AMERICAN EMBASSY, BOMB, FROM THE WAR REFUGEE BOARD

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

QUOTE: MAY PHILIP RECONSIDERING PREPARED ACCEPT OVERSEAS
POST OUR TERMS. WERE DO YOU WISH ASSIGN HIM IN CHARGE
APPLY PASSPORT VALIDATION. CONTINUING DAILY EFFORTS
RECRUITING PERSONNEL HAVE THREE OR FOUR IMMEDIATE PROSPECTS.
WILL KEEP YOU ADVISED. AWAITING YOUR REPLY RE VITRES
ASSIGNMENT. UNQUOTE

4:15 p.m.
April 6, 1945

41

CABLE TO AMERICAN LEGATION, STOCKHOLM, FOR OLSEN, FROM WAR REFUGEE BOARD

Please deliver the following message to Hjal Storch, postbox 7306,
Stockholm, from Arish Tartakower of World Jewish Congress:

QUOTE: INTERCROSS INFORMS US THAT FOR JEWS FROM FRANCE
AND BELGIUM REGARDLESS OF THEIR NATIONALITY THE GERMAN
AUTHORITIES HAVE AGREED THAT THE DELEGATES CAN VISIT
CAMPS AND DISSEMINATE FOODSTUFFS CLOTHING MEDICINES TO
THEM. RED CROSS DELEGATE WILL ALSO RECEIVE LISTS OF
NAMED PERSONS DETAINED CONCENTRATION CAMPS. CONSIDER
THIS SITUATION IMPORTANT FOR YOUR ACTION. UNQUOTE

THIS IS WJS STOCKHOLM NO. 347

4:15 p.m.
April 6, 1945

SECRETOPTTEL No. 110

Information received up to 10 a.m., 6th April, 1945.

MILITARY

1.

WESTERN FRONT.

Southern Sector: French troops have entered Karlsruhe while further north clearance of Aschaffenburg and Lehr now completed by troops 7th U.S. Army, elements of which have also crossed River Main at points ten miles S.E. and two miles N.W. of Wurzburg.

Central Sector: On 3rd U.S. Army front two parallel armoured thrusts with infantry clearing most of intervening area, have captured Suhl and Hotha, while further north Mulhausen has been surrounded and armour pushed ten miles beyond this town. Operations by 1st and 9th U.S. Armies to compress Ruhr pocket from south, east and north, made some progress against strong resistance while to N.E. this area armour of latter Army advanced to within two miles Hamelin.

Northern Sector: British Airborne troops and Armour have cleared Minden and closed up to River Weser on 15 mile front north of that town in which stretch river has been crossed at two places, while further west armour has advanced 25 miles to within four miles Diepholz. North of Rheine gains of 5 miles made against strong resistance and Mengelo cleared, while still further west troops of 4th Canadian Armoured Division have captured Almelo and on extreme left flank stiff opposition being encountered in area Arnhem.

2.

EASTERN FRONT.

Northern Sector: German remnants on coast north Gdynia now mopped up.

Central Sector: Russians made further progress in Polish Silesia and Slovakia.

Southern Sector: Advances made east and south of Vienna while road to Linz cut to west of former town. Further advances also made across Hungarian and Yugoslav border.

3.

ITALY.

On 8th Army front British Commando troops captured several small islands in Lake Comacchio. On 5th Army front attack launched by U.S. forces made progress towards Massa.

4.

BURMA.

Coastal Sector: Our forward troops now two miles from Taungup.

AIR

5.

WESTERN FRONT.

4th/5th (night). Bomber Command despatched 1173 (18 missing) 615 against two synthetic oil plants Merseburg (1958 tons), 328 synthetic oil plant Harburg (1017 tons) 35 Berlin, 31 Magdeburg, 30 seaming and 134 other missions. Halifaxes probably sank one 4000 ton ship off the Skaw and damaged one 2500 ton ship off Larvik.

5th. 1035 U.S. escorted heavy bombers (21 missing or outstanding) attacked Ordnance Depots Ingolstadt (354 tons) Grafenwohr (371 tons) and Furth (141 tons), Rail centres Nurnberg (805 tons), Bayroth (257 tons), Plauen (348 tons) and other targets (279 tons).

SHAEP (Air) medium bombers 145 attacked supplies in Southern Battle area while 1853 fighters and fighter bombers (13 missing) operated whole front destroying 92 locomotives, 658 M.T., and 455 railway vehicles and at same time inflicting enemy aircraft casualties 17 in combat and 97 destroyed on ground. Coastal Command Mosquitoes attacked convoy 51 miles E.S.E. Aalborg when 6 ships averaging 1500 tons each left sinking and seventh on fire.

6.

MEDITERRANEAN.

3rd/4th. Heavy bombers dropped 159 tons railway centre Novska (60 miles S.E. Zagreb).

4th. 944 tactical aircraft attacked communications and other targets North Italy while fighters destroyed 25 locomotives on railway Munich-Linz.



TREASURY DEPARTMENT

WASHINGTON

April 7, 1945

Dear Mr. Secretary:

This is the report you asked for a few days ago on the telephone. I am going to dictate it and run for a train, so Mr. Lerry will sign it for me.

1. We have considered arrangements with the Hollywood Democratic Committee for a half-hour radio program originating on the West Coast at 9 p.m. Eastern Std. Time, over the Blue Network. The first 20 minutes will be a dramatization of world security with a cast including Walter Houston, Betty Davis and Olivia De Havilland. The last 10 minutes will be given to us for a speech on Bretton Woods which will emphasize the importance of Bretton Woods in the world security picture which has just been dramatized. We want Senator George to make that speech. Harry White said that you will know whether or not he should be approached and how. (I think it is best to have the most conservative possible speaker on this program. The network is being very shrewd and will not take Tobey or Allen.)

2. The businessmen's group will be a corporate entity on Monday. The business and industry committee for Bretton Woods, Inc. Offices have been opened in the Roosevelt Hotel in New York. Sufficient funds have been provided for cash money. Louis Day, who was to come in here on my staff, has been diverted to New York to serve as Executive Director of this group. A program has been drawn up which is excellent. We are now trying to improve on the Inviting Committee, and will send out 1,000 telegrams not later than a week from today to invite a select list of business men to join. It is probable that Captain Fairless, President of the U. S. Steel Corporation, will serve as chairman. I have talked to Fairless about Bretton Woods and he is favorable. I am flying down to New Orleans to meet him next week to clinch the deal. Other men are expected to participate in the Inviting Committee are Charles E. Wilson of General Electric, Will Crocker, President of the Crocker National Bank in San Francisco, Mr. Willis of General Mills, Everett McDermott of Moore-McCormack Steamship Lines, and others.

The first official act of the Committee will be to hold a press conference in New York and Washington newspapers. You will recall your suggestion that we get Mr. Nelson, formerly lobbyist for



44

- 2 -

Land-O-Lakes, active in behalf of Bretton Woods. Nelson is now lobbyist for the Milk Producers' Association. We have contacted him and will have him over here the early part of next week, at which time he will lunch with Harry White. He is a vigorous lobbyist and will be a worthwhile addition to our camp if we can get him. There is a 50-50 chance.

3. The following organizations have endorsed Bretton Woods: Committee on International Trade, New York, N. Y. and The Texas Cotton Association, Waco, Texas. We are going to see that these resolutions are inserted in the Congressional Record.

4. We have been working on S. Clay Williams, President of the Reynolds Tobacco Company. Williams is now in a receptive frame of mind and will have lunch early next week with White. From there we will fan out in the tobacco industry.

5. Will Rags called together 24 of the top people in the movie industry in New York last Wednesday night. Harry White went up and talked to them. He did a splendid selling job and they are ready to go to work. I am following up on this Monday and Tuesday and will get these people active in a number of ways. I hope to get all of them into the Business Men's Committee and to have them entertain members of Congress at a reception in Washington, at which time they will -- with the help of some of the stars -- tell the Congressmen how and why they are for Bretton Woods. There are many other ways in which they can be helpful.

6. I have followed up with the small business contacts made at Harry Maverick's meeting last week. One specific thing has grown out of this already. The House Small Business Committee is holding field hearings in Cleveland, St. Louis and Chicago. At our request, they are going to have outstanding small business people from those communities testify on the importance of Bretton Woods to small business. Thus, the relation of the legislation to the problems of that group will be highlighted in publicity emanating from those communities and not from Washington. These hearings are being held in St. Louis and Chicago between April 24 and 27.

7. We have arranged with Americans United to call together the leading heads of various organizations who have expressed favorable reaction to Bretton Woods -- with a view to coordinating their efforts and, in particular, toward the House Committee. Lindford and I will discuss strategy with them on Wednesday afternoon of next week.

45

- 3 -

8. As a result of a meeting Bernstein and I had with some fifty members of the Advertising Committee on Public Affairs in New York, that committee has prepared copy for a very fine pamphlet on Bretton Woods, and is working on a number of other items which they will make available to any organization wishing professionally prepared material.

9. As you know, I cancelled your appearance on Mary Margaret Haldrup's radio program next Tuesday. This does not preclude your going on at some later date, as they are most cooperative.

10. We have arranged for a number of speakers on Bretton Woods at meetings in various cities.

11. The National Broadcasting Company is diverting its program, "Wake Up America" to a debate on Bretton Woods on Sunday, April 15 at 6 - 6:30 p.m. Charlie Pepper will debate Senator Taft. We are giving Pepper special practice next week.

12. I am enclosing the first International Latex Ad which is appearing in 35 newspapers between yesterday, April 6 and next Thursday, April 12.

13. It may interest you to know that the Democratic National Committee reports that they have promises from Congressman Baldwin and Barry that they will not oppose Bretton Woods in the Committee or on the floor. This is a result of considerable pressure brought to bear in a number of ways.

14. I thought you would like to know that the title of Frank Gervasi's article on Bretton Woods in Collier's magazine -- to appear about 3 or 6 weeks hence -- will be "Bretton Woods Or World War III?". This will be the leading article and will be listed on the cover of the magazine.

Sincerely yours,

Handwritten: *Handwritten: Walter*

BY

G. Leroy
G. Leroy

Honorable Henry Morgenthau, Jr.,
Hotel Sheraton Plaza,
Daytona Beach, Florida

Enclosure.

Preventing Future Wars

BRETTON WOODS

Now that the Allied armies are sweeping through Germany . . . now that the war in Europe is being won and victory in the Pacific is assured . . . it is time to prepare for peace. For victory alone is not enough, as we learned after the last war. Not only must the war be won, but the peace must be built . . . it must be built solidly, built to endure.

After the last war, we fell down badly on the job of building the peace. We did not work out effective political machinery to call a halt to political aggression. And we did not construct economic machinery to create a sound basis for world prosperity.

Because we lacked the machinery for joint economic action, each nation of the world was forced to strive blindly for itself. World commerce was soon poisoned with national jealousies and national sharp-practice. The marts of trade were transformed into arenas of economic warfare.

The deterioration of world economic relations . . . the collapse of foreign investment, the selfish manipulation of national currencies, and the disintegration of international trade into primitive barter . . . these things did not by themselves bring on the second World War. But they did set the stage for it.

And this was only the first stage. Economic conflict . . . political aggression . . . war, in all its savagery and destruction . . . these followed inevitably one upon the other.

Our Second Chance

Today we have a second chance to build a structure of lasting peace. We all know there will not be a third. That is why we have joined the other United Nations

to plan the political machinery for preventing aggression.

And that is why, at Bretton Woods, we joined in planning the machinery for expanding world trade, for assuring prosperity, jobs, and security for all peoples.

The Bretton Woods agreement calls for two things. It calls for a World Bank through which the United Nations undertake to guarantee approved private loans for economic reconstruction, and to make direct loans when circumstances require it. And it calls for a Monetary Stabilization Fund to stabilize the nations' currencies in their relations one with another, and to provide for the orderly adjustment of those relations through joint action.

The two Bretton Woods proposals are of vital importance. They lay the foundation for world trade and world prosperity. More than this, they testify to the determination of the United Nations to work and live and do business together in peace no less resolutely than they have fought together in war.

It will do this country and the world little good if America turns its back on political isolationism only to continue in the path of economic isolationism. Political collaboration, political friendship between nations cannot long endure if in their economic relations—which determine the work, wealth, and happiness of mankind—nations act on the principle of dog eat dog.

That is why we, a business corporation, submit that it is in the interest of every man, woman and child in this country, and in the interest of world peace and security, that Congress ratify the Bretton Woods proposals without delay.

Presented AS A PUBLIC SERVICE by
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PAID ADVERTISEMENT...BUT MORE WAR BONDS



TREASURY DEPARTMENT

WASHINGTON

April 7, 1945

TO: Secretary Morgenthau

FROM: E. B. Russell

Subject: War Loan Promotion Material

After consultation with Mr. Gamble, Mr. Lane and others in War Finance, I am moving in an exploratory way to get certain data which I believe will be useful in promoting the Seventh War Loan.

1. A series of specific questions dealing with Okinawa and Iwo Jima operations has been drawn up in War Finance. These questions are all or virtually all directed to the Navy. I have accordingly taken the liberty of drafting a proposed letter from you to Secretary Forrestal, to go with the questions, if you approve. (A copy of the list of questions is also enclosed for your convenience.)

2. More than a half million American homes have received telegrams that members of their families have been wounded in action. It seems to me that the care being given these wounded men, the retraining of those who are permanently disabled and the benefits that are provided for discharged veterans generally provides one of the most appealing themes for purchase of War Bonds. I think probably the best way to present it is to show what happens to some individual G. I. Joe from the time he is wounded. It might be presented in a major speech by you or in a radio dramatization or otherwise. Immediately I am just moving to get together what material is already available. If this proves insufficient, letters to the Secretary of War, Secretary of the Navy and/or the Veterans Administrator may be indicated. I am not suggesting this action yet.

May I include my hopes for the speedy recovery of Mrs. Morgenthau?

E. B. Russell



APR 11 1945

Dear Jim:

As you know, the Iwo Jima operation is providing us the theme for the Seventh War Loan Drive, and of course your Okinawa operation is providing the immediate spot news from the Pacific, and very heartening news indeed.

I would like very much to present, during the Drive, as many facts as possible, relating to the cost of these and any other current operations, with a view toward showing the people just why their dollars are needed by the Government, and how War Bond dollars are being spent.

The War Finance Division has drafted a series of specific questions, which I am enclosing, one group of questions dealing with Okinawa and the other with Iwo Jima.

I would appreciate whatever data you can give us, either in specific answers to these particular questions, or otherwise. I realize that two very different factors are involved in many of these questions -- one the current expenditure, the other the capital investment represented in ships and the training of men. And of course the after cost of casualties and veterans' benefits are also involved. For this reason I do not want to be arbitrary in asking that every question be answered categorically. But the more specific and current the information is, the more help it will be in selling War Bonds.

Sincerely,

[Signed] Henry

Honorable James Forrestal
Secretary of Navy
Washington, D. C.

SHF:ve

4/7/45

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SHF:ve
4/7/45

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Secretary of Navy
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Sincerely,

(Signed) Henry

Honorable James Forrestal
Secretary of Navy
Washington, D. C.

HEF:va
4/7/45

OKINAWA INVASION

1. Assembling of ships for the Okinawa Invasion started months ago. Rehearsals for "L-Day" (Invasion Day) took place at bases thousands of miles apart and thousand of miles from the Ryukyus. How much did these so-called "rehearsals" cost?
2. Mine-sweeper fleet cleared 2,500 square miles of ocean off the west coast of Okinawa. (Note: According to reports, not a transport or cargo ship was hit by mines on "L-Day.") Cost of this mine-sweeping operation?
3. The Kerama Islands were captured on March 26th where heavy artillery was emplaced to support the main landing on Okinawa. Cost of taking the Keramas?
4. Softening-up of Okinawa's air and naval strongpoints started on March 23rd. Correspondents report "1500 tons of 16-inch shells were fired into gun emplacements and industrial area virtually wiping out the town of Nimitoge" on March 26th. How much did it cost to wipe out Nimitoge? How much to neutralize Okinawa?
5. A fleet of 1400 vessels, from battleships to landing ships, went close to shore to aid in establishing the beachhead on "L-Day." Cost of maintaining this fleet for one day? Cost of building this fleet?
6. (a) Mobile Naval base -- Navy's "secret weapon" -- is playing vital part in solving supply and repair problems. "Service Squadron 10"

- 2 -

comprises several hundred ships of all types -- ammunition, repair, floating drydocks, oilers, water tankers, hospital and barracks ships. Amount of investment representing in this armada?

(b) Reports say 50 per cent more fuel is being consumed at Okinawa than in any other single previous operation by the U. S. Navy. More than 600,000,000 gallons of fuel oil were required to get the amphibious force to objective. Cost of fuel oil? Differential in cost compared with same quantity for use in Atlantic?

(c) Planes will use gasoline to the capacity of 16,666 trucks and trailers. Cost of gas?

(d) The task force ships were loaded with the equivalent of 1500 freight cars of ammunition -- 2600 tons of food. Reports bring this tonnage down to community level -- "food would provide the entire populations of Vermont and Wyoming with 3 meals a day for 15 days, and medical supplies enough to provide 60 days of treatment for population of Columbus, Ohio. More than 1200 pints of whole blood were flown to fleet units."

Total cost of supplying the task force? Cost of components -- ammunition, food, medical supplies? How much did it cost to fly the 1200 pints of blood from U. S. port to objective?

How much did it cost to transport supplies to "Service Squadron 10" from United States?

TWO JIMA INVASION

1. The Iwo Jima invasion gave the "Mighty Seventh" War Loan Drive its theme. The total cost of this invasion would be very useful to us. Also the tonnage of the various supplies used -- ammunition, fuel, food, medical supplies, etc.
2. The wounded from Iwo were transported almost 7000 miles by sea and air to Alca Naval Hospital, Pearl Harbor. How much did it cost per man for transportation? Next stop towards home, San Francisco, about 2300 miles. Cost to transport wounded man from Pearl Harbor to San Francisco?

April 7, 1945

MEMORANDUM OF MEETING ON REPARATIONS

1. There was a meeting today in Clayton's office at State at 3:30 p.m. to discuss the instructions to be given the United States representative on the Reparations Commission. Those attending the meeting included:

State - Clayton, Matthews, Mason, Dupre and Luterhimer.
 War - Generals Willing and Draper.
 Navy - Francis Bunker.
 FBI - James Perkins.
 Treasury - White, Glasser and DuBois.
 White House - Isadore Lubin.

2. Clayton opened the meeting by asking whether anybody had a document to present. Lubin said that he had a document which he had been working on with the State Department, specifically mentioning the names of Mason and Dupre. He said there seemed to be general agreement between him and State on this document with such exceptions as he would indicate.

3. Clayton then suggested that the memorandum should first be read through in its entirety and that we should then read the memorandum paragraph by paragraph for comments and suggestions. White, at this point, said that he thought it might be a good idea if, instead of trying to reach an agreement at this meeting on this document, which many of those present had not yet seen, the representatives of the various agencies should take the document with them and go over it in their respective agencies. Another meeting could then be arranged to consider the document. Clayton said that he thought it would be useful if we could comment on the document at this meeting and have another meeting to finally consider the document. It was generally agreed that this procedure would be followed with the understanding that no agency was making any final commitment at this time.

- 2 -

57

4. Lubin presented his document, which is attached, and read the document through, pointing out those provisions with which there was disagreement between himself and State. These provisions relate to the considerations governing the period of time and the amount of recurring reparations. Lubin said that he favored a long period of time with small annual amounts whereas State favored a short period of time with larger amounts.

5. Clayton then proceeded to read the document through paragraph by paragraph and comments were made on each paragraph. The following is a brief summary of the major points of discussion.

6. There was considerable discussion concerning the meaning of the following sentence in paragraph 7:

"The peoples in the devastated countries of Europe shall be given priority over the Germans in the determination of the standard of living, notwithstanding the effect of such priority on the standard of living in Germany."

It was finally agreed that in the place of this sentence we would substitute the principle which had been agreed upon in the statement of United States policy on Germany approved by the President on March 23, namely that no action should be taken to support basic living standards in Germany on a higher level than that existing in any one of the neighboring United Nations.

7. Treasury objected to the following sentence in paragraph 7:

"Specific emphasis should be given to the controls imposed on the populations of these zones so as to insure, so far as possible, that the burden of bearing the cost of reparations through taxes and other devices shall be distributed among the various groups in the population in accordance with their ability to pay."

After considerable discussion it was finally agreed that this sentence should be left out of the Reparations document although Clayton made it clear that State felt that it would be necessary to institute some form of rationing. He argued that if we were going to keep the living standard of the German people at a low level and not higher than that of any of the neighboring countries, it was necessary for us to see to it that part of the German

- 3 -

58

population were not eating well while at the same time another part of the German population was practically starving. The issue was reserved for consideration in connection with the economic directive.

8. There was considerable discussion of paragraph 12 of the document presented by Lubin, which provided that this Government favors as long a reparations period as possible with annual recurrent payments as small as possible. Treasury supported this position strongly while State, particularly Mason and Dugre, opposed this position. Mason made the specific point that it was undesirable to have reparations extend over a long period of time inasmuch as it would be necessary to keep occupation troops in Germany in order to collect such reparations; that we did not want to keep United States troops in Germany for 25 or 30 years; and that it would be politically undesirable to withdraw United States troops from Germany while Russian troops still remained in Germany. Treasury pointed out why it was desirable to have reparations in as small annual amounts as possible inasmuch as by so doing we would avoid the dependence of the recipients of reparations on Germany and would avoid rebuilding the German economy. Treasury also pointed out that if reparations were collected in small amounts annually this would not require maintenance of troops in Germany to collect such reparations; and that in connection with the question of the maintenance of troops in Germany there were other considerations far more important than reparations which would determine the length of time during which such troops were kept in Germany. Clayton finally suggested that no definite statement be made as to the length of time or relative amounts of recurring reparations and that we merely announce a statement of principle to the effect that recurring reparations should be fixed so as to avoid the dependence of the recipients on the German economy and so as to avoid the building up of the German economy.

9. With respect to paragraph 13, which provided that to the maximum extent possible reparations should be taken from the national wealth of Germany existing at the time of collapse and which specifically included "shares of industrial, transport, shipping, and other enterprises in Germany", Treasury suggested the elimination of this quoted portion of such paragraph. Treasury pointed out that this would permit the United Nations to take ownership of German factories instead of removing such factories from Germany and stressed the danger of such a procedure. There was general agreement that this quoted provision should be deleted,

- 4 -

59

despite the fact that, as was pointed out, such a provision had been contained in the Reparations Protocol.

10. It was agreed that Lubin would redraw the document in the light of the comments made at the meeting and would circulate the document to the various agencies for consideration at the next meeting. The next meeting was arranged for Tuesday, April 10, at 3:30 p.m. in Clayton's office.

JED
Josiah E. DuBois, Jr.

Attachment.

TOP SECRET

1. It was agreed at the Yalta Conference that Germany must pay in kind for the losses caused by her to the Allied Nations in the course of the war. The primary purpose of the Reparation Commission should be the formulation of a general program for the exaction of reparation and the establishment of the policies under which program is to be implemented.

2. The principal interest of the United States is to assure that the reparations program shall not jeopardize the economic and security objectives of this country with respect to Germany. The position of the United States on the various issues involved may be summarized as follows:

3. (a) This Government favors a reparation program which would result in the elimination of industrial capacity in Germany considered to be dangerous to the security of the United Nations.

4. (b) This Government favors a reparations policy which should aid in strengthening and developing industries in the devastated countries of Europe, including assistance to the liberated countries and other United Nations to expand their foreign trade. They should also be fixed and distributed so as to increase, as much as possible, the living standards of these and other countries.

TOP SECRET

TOP SECRET

- 2 -

5. (c) It is the policy of this Government that the reparation burden shall be distributed insofar as possible as to impose equality of sacrifice upon the populations of each of the zones under the control of the respective occupying nations.

6. (d) This Government adheres to the principle enunciated in the Yalta Declaration of February 12 to the effect that

"It is not our purpose to destroy the people of Germany, but only when Nazism and militarism have been extirpated will there be hope for a decent life for Germans, and a place for them in the comity of nations."

Accordingly, the reparation exactions imposed upon the German people should be such as to leave them with enough means to provide a low subsistence standard of living for her population without outside relief.

7. (e) The peoples in the devastated countries of Europe shall be given priority over the Germans in the determination of the standard of living, notwithstanding the effect of such priority on the standard of living in Germany. The level of the general standard of living should be the same

TOP SECRET

52

TOP SECRET

- 3 -

for the German people in each of the zones under the control of the Allied armies of occupation. Specific emphasis should be given to the controls imposed on the populations of these zones so as to insure, so far as possible, that the burden of bearing the cost of reparations through taxes and other devices shall be distributed among the various groups in the population in accordance with their ability to pay.

8. (f) This Government opposes any policy of reparations which will put the United States in a position where it will have to assume the sustained responsibilities for relief to the German people.

9. (g) Payment for such minimum German imports as may be determined to be essential shall receive priority over reparations. This Government opposes any reparations policy based upon the assumption that the United States will finance any reconstruction in Germany.

10. (h) It is to the interest of the United States to see that the payment of the costs of the occupation of Germany shall receive priority over reparations.

11. (i) In requisitioning goods and services, priority shall be given to the needs of the occupying forces, irrespective of the zone in which

TOP SECRET

53

TOP SECRET

- 4 -

they are located. Such requisitioned goods and services shall not be considered as reparations. All goods exported from Germany shall be considered as reparations.

12. (j) In order to avoid the dependence of the recipients of reparations on the German economy for their economic existence, this Government favors as long a reparations period as possible, with annual, recurrent payments as small as possible. These annual payments should be so arranged as to taper off toward the latter part of the reparations period.

13. (k) The United States reserves to itself the right to claim reparations from Germany to the extent of billions of dollars. The United States will not wish to receive its share of reparations in the form of labor services. It desires that labor supplied by Germany to meet the claims of other countries for reparations shall be recruited primarily from Nazi groups, officers of the Wehrmacht, the Gestapo, SS organizations and those elements of the population who have cooperated in financing and building up the Nazi machine.

14. (l) The governments participating in the Reparations Commission will retain control over the disposition of German property located within

TOP SECRET

- 5 -

TOP SECRET

their respective borders. These nations will seek agreement with other countries in which German assets are located designed to eliminate continued German control, or the eventual return to Germans, of these assets.

15. To bring about the realization of these policies, you should undertake to secure an agreement in Moscow on a program embodying the following specific objectives.

(a) To the maximum extent possible, reparations should be

taken from the national wealth of Germany existing at the time of collapse, including the removal of industrial machinery, equipment and plants, particularly the shipbuilding, metallurgical, electrical and chemical industries (including all industries producing oil and oil products, synthetic nitrogen and synthetic rubber), ships, rolling stock, German investment abroad, shares of industrial, transport, shipping and other enterprises in Germany.

(b) To the extent that reparations are collected in the form of deliveries of goods over a period of years, such goods should be of such a nature and in such amounts as not to require the maintenance of the German war potential or the continued dependence of other countries on Germany after reparations cease. Accordingly, after the removal of such items specified

TOP SECRET

64

65

TOP SECRET

in paragraph 15(a), recurring reparations, over a period of years, should be

- i. As small as possible in relation to the reparations to be paid in the form of industrial plants and equipment.
- ii. Primarily in the form of natural resources, such as coal, metallic ores, timber and potash, and not in the form of manufactured products.

16. It is recommended that one of the first tasks of the Reparations Commission shall be the establishment of the necessary machinery for the allocation of such commodities and equipment for removal from Germany as are not essential to the maintenance of the armed forces or to the conditions stated in paragraph 6 above. Immediate provision should be made also for the allocation of German holdings in neutral countries.

Records should be kept of all deliveries made on reparations account under such interim arrangements and such deliveries should be made without prejudice to the final allocation of reparation shares.

TOP SECRET



Assistant Secretary

TREASURY DEPARTMENT

Washington.

April 7, 1945

MEMORANDUM FOR THE SECRETARY:

an Under Secretary or
General Clay asks for an Assistant Secretary. I don't see
how it is possible to comply with his wishes.

It seems to me that the best arrangement would be to have
Colonel Bernstein taken out of uniform and back into the Treasury
as an Assistant to the Secretary, and assigned to the position
General Clay has in mind. I don't know whether the Army would
be agreeable to such a step, but certainly if what they are
looking for is a man who could do the job, Colonel Bernstein,
in my judgment, is the best one available.

A second suggestion, which might be acceptable to the
Army, is Randolph Paul. As former General Counsel of the
Treasury and an expert on tax matters, he would be as qualified
as many of the names which the Army has suggested from time to
time. We could, of course, provide him with competent technical
assistants.

The only qualified persons in the Treasury who would be
available are Harold Glasser or Bill Taylor for the position
which General Clay has in mind. General Clay might not regard
them as having sufficient prestige but in my judgment either
one could do a better job than persons the Army has suggested
in the past.

H.D.W.



ROBERT E. McCONNELL

Robert E. McConnell

The Plains, Va.

April 7, 1946

TELEPHONE
444-4444
 Middleburg, Va. 180

Henry Morgenthau Jr., Secretary of the Treasury
 Sheridan Plaza Hotel
 Dorton Beach, Florida

Dear Mr. Secretary:

I am very sorry to hear from Fitz this morning that Mrs. Morgenthau is ill and I sincerely hope she will have an early recovery.

Yesterday I saw Major General Clay in Washington just before he took off for Europe. He has divided his control group into three divisions: Military, Political, and Economic. Each army officer will have a civilian from industry as alternate or deputy. I am enclosing the tentative organization chart for the Economic Division. Brig. General William Draper will be chief. Clay asked me to act as Draper's deputy in Germany, or as chief of the Near East Section in Washington. In any event he asked me to help immediately in securing the proper staff for the Economic Division. I think Clay hopes I will go to Germany for a year or so as a Civilian Deputy of the Economic Division.

I am anxious to get your judgement and advice in the matter before making any commitments. I also felt you might have some suggestions as to procedure. While neither Clay nor Draper said as much, I gather that the War Department is disappointed in the progress to date (or the prospects for the future) that F. B. A. is showing on this job.

It is possible that interpretation of broad policy statements will be left to the judgment of this Army Group and therefore it is important that the men in the top positions have ability, judgment, and determination to make a thorough job of it this time.

I shall be with Draper most of next week at the War Department and hope to be able to see you soon.

Sincerely yours,

Robert E. McConnell

REM:REM
 Encl. 1



TREASURY DEPARTMENT

WASHINGTON 25

68



April 7, 1946

To: Secretary Morgenthau

From: J. W. Pehle

The following is a summary report of several investigations currently conducted by the Procurement Division. The present procedure is to refer matters requiring investigation to Mr. Irey's office, accompanied with all available information, and recommending the course which the investigation should take. It is contemplated that when personnel is recruited to staff the recently created Office of Complaints and Investigations that office will be in a position to undertake investigations affecting the Procurement Division. This is agreeable to Mr. Gaston, Charles Bell and Elmer Irey.

Eugene Puhl

An investigation into the sale of surplus commodities by the Procurement Division's Chicago Regional Office resulted in the suspension of Eugene Puhl, a salesman employed by that office. It appears that Puhl effected sales of various surplus items, particularly automobiles, to persons upon forged requisitions purporting to be issued by officials of townships in the vicinity of Chicago. The funds for the purchase of these items were furnished by Puhl and his associates who resold the property at a profit. In some instances, the officials collaborated with Puhl by issuing requisitions in the name of the township and converting the property to their own purposes. Excluding the factor of collusion by Procurement Division employees, this

- 2 -

case presented the problem of checking the authenticity of requisitions for surplus property by Government agencies or persons entitled to a priority thereto, and establishing a procedure to assure delivery to the proper authority. This has been done.

Charles H. Kerr

The investigation herein raises the question of the propriety of a Procurement Division employee acquiring surplus property from the individual who had purchased it from this Department. In this case, Mr. Kerr, a price analyst then employed by the Fort Worth Regional Office, purchased two tractors at a slight increase in price from the original purchaser of these machines which had been sold as surplus by the Fort Worth Regional Office. Kerr resold the machines at a substantial profit. It appears that the purchaser from this Department was the high bidder at a "spot sale." However, the purchase by our employee under these circumstances is highly suspicious in that he was charged with pricing the equipment and his purchase at a slight mark-up savors of collusion. This investigation is still under way.

Sale of Surplus Property Pursuant to Certificates of Necessity Issued by Another Agency.

The Kansas City Regional Office recently sold certain items of surplus machinery to a dealer who presented a certificate of necessity issued by the Smaller War Plants Corporation. Investigation disclosed that the dealer, instead of putting the machinery to essential use as had been represented, is selling this equipment to the general public at a very substantial profit. We are investigating our pricing procedure in this case and particularly since one of our officials apparently purchased a car from the same dealer to which Procurement had sold such car.

70

- 3 -

Sparks E. Bonnett

This individual recently resigned at our request as Deputy Regional Director of the San Francisco Regional Office, when we ascertained that conditions in this office were chaotic. Subsequently we were informed that he had accepted a fee in procuring the award to a Los Angeles firm of certain oil filters offered for sale by the San Francisco Regional Office.

Gilbert R. Endicott

This investigation resulted in the suspension of a marketing specialist employed by the Denver Regional Office for his failure to satisfactorily explain over \$2,000 of bank deposits received from unidentified sources within a five months' period. Mr. Endicott refused to submit to further interrogation after certain statements he made in connection with these deposits were found to be false. The investigation is continuing and the suspension by this Department forestalled the employee's transfer to another Government agency.

The above cases indicate the necessity of constant vigilance to anticipate a certain degree of misconduct by personnel in the Department. To minimize this problem the Procurement Division has promulgated certain standards of department to be observed by employees in the conduct of Government business. One of the functions of the Office of Complaints and Investigations is to keep our house clean so that the public will have confidence in dealing with the Department.

- 4 -

A typical illustration of fraud and criminality by purchasers of surplus property was uncovered by the investigation in the Panco case. The officials of Panco falsely represented to department stores, trade associations and others that they were designated by the Treasury Department as exclusive agents to sell various items of surplus; that they had posted a bond with the Department to insure performance on their part; and that they had consummated numerous sales in that capacity. They published and circularized among their prospective victims price lists of various commodities which were in fact plagiarized from Army catalogues. When the Panco representatives discovered that they were under investigation they attempted to evade questioning by Mr. Irey's agents and it is now believed that their activities in the field of surplus property have collapsed.

JTB:slc

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 7, 1945

TO Secretary Morgenthau (For action)

FROM Mr. Coo *PC*

Subject: Entry of National City Bank people into Philippines.

1. It is suggested that you telephone Secretary Stettinius and indicate to him that you would appreciate having the State Department refuse to grant passports to private bankers to go to Manila until such time as General MacArthur has given permission for Treasury personnel to go forward.
2. War, State and Treasury Departments and the Joint Chiefs of Staff now have under consideration the question of the immediate departure for the Philippines of six National City Bank people in order to re-establish in Manila a branch of the National City Bank. General MacArthur has already indicated willingness to allow the immediate entry into Manila of one of the National City Bank people (Mr. Lejeune) and is now being queried by the Joint Chiefs of Staff on the others. We have received indications that if the Theater Commander grants the necessary military permits, the State Department will grant passports to these people which would permit their immediate departure for Manila.
3. We have been informed informally by the War Department that General MacArthur has refused to give permission for the immediate departure of Treasury personnel to the Philippines. We are now drafting a strong reply to be sent to General MacArthur which will clearly indicate the problems which will be created for the Theater Commander if private banks are allowed to reopen prior to the re-establishment of a Foreign Funds Control office. General MacArthur will be informed of the many and complex Treasury regulations which have to be enforced as soon as private banking business is resumed. We have discussed this matter with the Philippine Commonwealth authorities and they agree on the need for the immediate reopening of our Foreign Funds Control office in Manila.
4. There is no urgent need for the reopening of private banks at this time since the Commonwealth Government is making temporary banking facilities available by the establishment of a banking division in the Commonwealth Treasury.

PARAPHASE OF TELEGRAM RECEIVED
 FROM: AMERICAN EMBASSY, CHUNGKING
 TO: Secretary of State, Washington
 DATED: April 7, 1945
 NUMBER: 585

SECRET

On the twenty fifth of March Leon Henderson arrived. He is returning to the United States with T. V. Soong and will probably have the opportunity to talk with Ambassador Hurley at Cairo. Leon Henderson appears in very short time to have acquired comprehensive and accurate picture of situation here and of ^{numerous and} ~~various~~ ^(facts?) ~~aspects~~ facing him. He is considering recommending to the Generalissimo, as a result of his survey, that there be established in the Chinese Government a powerful committee or secretariat on the lines of the British War Cabinet secretariat or our OEM to guide and coordinate proper activities of various Government agencies such as Food Ministry and Communications Ministry (in connection with transport control). This organization, as foreseen, would have an American of a stature similar to Henderson's as chief advisor and competent American advisors for such fields as price control, taxes, governmental budget and so forth. In connection with price control, we believe Henderson understands thoroughly that there is lacking here, among other things, both the governmental administrative machinery for operation of such control and A-1 officials, merchants and the public, the will to make such controls work. The planned efforts of Henderson in this direction may therefore be limited to some essential commodities as suggested in memo summarized in our 533 of the twenty ninth of March.

In addition

-2-

74

In addition, Henderson is recommending more efficient check on government receipts and expenditures for which purpose he hopes to secure advisors from America. Henderson seems confident that T. V. Soong will strongly back his recommendations with the Generalissimo and will back more effective delegation of economic powers than exists now. It is thought by us that Henderson's visit has already served a very useful purpose and that his ability, energy and evident sincerity of purpose have favorably impressed all Chinese authorities encountered here. Kearney, Adler of Chinese MPB and Joyner opine that his recommendations are sound and merit our backing.

The foregoing repeated to Cairo together with our 533 of the twenty ninth of March.

ATCHISON

DC/L:MLG
 4-13-45

CABLE TO WIRANT FOR MANN, LONDON, FROM THE WAR REFUGEE BOARD

For your information following is text of cable No. 2045 dated April 7, received from McClelland:

"Additional to Legation's 1988, April 6 regarding ICRC's Division of Special Assistance's plan for trucking relief to civil detainees in Germany.

"Five Renault trucks instead of six now scheduled leave Switzerland April 9 for Luebeck carrying 16 tons relief goods and gasoline. This convoy if feasible will offload supplies at Bergen Belsen en route. ICRC plans have these trucks remain and work out of Luebeck distributing WRB parcels, shipped over from Goteborg, to concentrations of detainees at Ravensbruck and Hamburg-Neuengamme. ICRC is now checking with Goteborg on number of WRB parcels already at Luebeck all of which committee hopes be able distribute area in question within coming three weeks.

"Present stress of Luebeck Hamburg area is motivated by ICRC fear that this region may soon be cut off and by fact that no trucks are at present available in that zone for civil detainees relief. Committee is accordingly anxious send in more relief and means of transport to distribute it before it is too late.

"Four more Renaults with capacity of 3200 kilos each scheduled depart April 12 or 13 for Dachau. They will also remain this area to distribute parcels to large number smaller camps administered from Dachau.

"ICRC further counts on being able ship within next ten days by rail to new ICRC depot at Ravensburg between Swiss border and Munich, balance of approximately 50,000 WRB parcels remaining in Switzerland. Plan is then to move these parcels on by trucks as rapidly as possible to accessible camps near Munich and to east and northeast thereof mentioned my 1988. This trucking will be done with 11 more Renaults which ICRC's DEA is due to receive

- 2 -

week after next total agreed being 20. They will be operated by gasoline released to ICRC by SHAEF for WRB program first tank carload of which is already en route from Marseille to Geneva.

"Our thirty tires and tubes have arrived and first advance of Diesel oil (Legation's 1981, April 5) will be made to ICRC today. Herbert Katski is now in Geneva accelerating arrangements with ICRC to make at least four more trucks available for WRB shipments on basis tires and oil.

"ICRC informs me that in addition to above mentioned trucks a small convoy of five wood burning Swiss trucks belonging to commercial transport concern of Brändli in Basel will leave Switzerland next week in effort to get through to Denmark to repatriate Swiss citizens there. Brändli has agreed transport ten tons of relief goods to women's concentration camp of Ravensbruck for ICRC.

"The four trucks which Sternbuch was fortunately able to rent (Legation's 1740, March 28) left Switzerland on March 29 with ICRC assistance but headed for Thersteinstadt rather than Bergen Belsen as previously reported."

THIS IS WRB LONDON CABLE NO. 66

11:30 a.m.
April 12, 1945

MS-1242
Distribution of true
reading only by special
arrangement. (SECRET W)

Stockholm
Dated April 7, 1945
Rec'd 2:45 p.m.

Secretary of State,
Washington.

1298, April 7, 2 p.m.

Report has been received from Evensen and Transaal covering their operations in Norway during February. Through regular licensing facilities 675 packages were sent into Norway containing about 10,000 k.g. foodstuffs, 2230 k.g. of clothing and 350 pairs of shoes. Approximately 28,000 k.g. of foodstuffs were sent in through underground facilities, as well as an considerable amount of clothing, footwear and other material. This is our 13th WHN. In addition the group sent in through the underground about 2 tons of clothing and other supplies for certain Swedish organizations. Approximately 1100 Norwegians were brought to safety in Sweden during February through underground routes financed in part by American labor relief.

Due to lack of funds operations were necessarily curtailed during this period.

Johnson

Jm

Miss Chauncey (for the Sec'y), Cohn, DuBois, Gaston, Hodel, Hutchison, McCormack, O'Dwyer, Files

PLAIN

London

Dated April 7, 1945

Rec'd 4:30 p.m.

Secretary of State

Washington

3075, seventh

FROM EARL G. HARRISON

Department's 2076, April 3, 1945.

The director of the intergovernmental committee on refugees earnestly requests approval of France and Belgium projects (Habsay's airmail despatch No. 20343, January 12) already approved by British Government, and also Spain and Portugal projects (Habsay's airmail A-159 of February 17). I have studied these projects carefully in conference with IGC staff and recommend they be approved without further delay. Funds carried over from 1944 practically sufficient to finance all four proposals. Must be approved by IGC executive committee after British and American approval so further delay will greatly handicap effectiveness of action. Would be most helpful if approval could be received by April 11, date of executive committee meeting.

VINANT

VTD

Ankara

Dated April 7, 1945

Rec'd 11:42 p.m.

Secretary of State,

Washington.

PRIORITY

473, April 7, 6 p.m.

Prior to the receipt today of Department's reference cable I had discussed with Foreign Office, the British Embassy and the Swedish Legation the question of the 134 Jewish persons on board the BROTHINGHOLM which is expected in Istanbul on Monday. (RECEIVED 293, April 5 and London's 19, March 26).

Just prior to his departure on April 5 for the San Francisco Conference as a member of the Turk delegation, Acting Secretary General Rykin informed me these individuals were embarked on the BROTHINGHOLM without prior notification to or the consent of the Turk Government; that few if any of them have any claim to Turkish nationality; that the Turk Government would probably not (repeat not) permit them to disembark from the BROTHINGHOLM even for a temporary stay in Istanbul; and it might send them all back to Sweden from Turkey on the return voyage of the BROTHINGHOLM. I informed Rykin that I thought any such action on the part of the Turk Government might have an unfortunate effect particularly at this time, upon Turk-American relations in view of the publicity in the United States press that would be sure to attend any such action its part.

In conversation yesterday with the Foreign Office official who has this matter immediately in charge (RECEIVED 480, April 3) I reiterated to him the point of view expressed to Rykin which he said he shared. He stated the Turk Government had not yet decided what position it would take with respect to permitting these persons to land at Istanbul.

I expressed the above mentioned point of view last evening to the British Ambassador before he saw the Acting Foreign Minister with whom he discussed this matter. The Foreign Office official last referred to above informs me this afternoon the British Ambassador

-2- #473, April 7, 1 p.m., from Ankara

was informed by Sumar that the Turk Government is prepared to permit the persons in question to enter Turkey in transit if the British Government will undertake to permit them to enter Palestine. The British Ambassador informs me this afternoon that he informed Sumar during their conversation last night that he would telegraph to London (he has since done so) requesting instructions as to whether the British Government is willing to let these individuals enter Palestine under the quota scheme. Petersen states some of the persons are German Jews, some of other nationalities. He states further he cabled to London some days ago on this subject and the reply he received did not encourage him to believe these persons will be admitted to Palestine. I gather he feels a reply from London may not be forthcoming immediately.

In view of foregoing Department may desire to discuss this phase of the matter with the British Government. I had discussed this subject with a Secretary of the British Embassy at the time London's 18 was received and learned the cable referred to above by the British Ambassador had been sent to London. The Secretary promised I would be informed when a reply was received. Yesterday the Swedish Minister informed me that if the Turkish authorities declined to permit these persons to disembark in Turkey all (repeat all) Turkish nationals on board the BROTHINGHOLM might be prevented from disembarking and taken back to Sweden along with the 134 Jewish persons concerned.

Repeated to London as 29.

PACKER

JM

Bern

Dated April 7, 1948

Rec'd. 10:10 p.m.

Secretary of State

Washington

2045, April 7, 6 p.m.

O'DIRECTOR OF VEB FROM MOELLERLAND.

Additional to Legation's 1988, April 6 regarding ICRG's Division of Special Assistance's plan for trucking relief to civil detainees in Germany.

Five Renault trucks instead of six now scheduled leave Switzerland April 9 for Luebeck carrying 16 tons relief goods and gasoline. This convey if feasible will offload supplies at Bergen Helsen en route. ICRG plans have these trucks remain and work out of Luebeck distributing VEB parcels, shipped over from Goteberg, to concentrations of detainees at Ravensbrueck and Hamburg-Neuenburg. ICRG is now checking with Goteberg on number of VEB parcels already at Luebeck all of which committee hopes he able distribute area in question within coming three weeks.

Present stress of Luebeck Hamburg area is motivated by ICRG fear that this region may soon be cut off and by fact that no trucks are at present available in that zone for civil detainees relief. Committee is accordingly anxious send in more relief and means of transport to distribute it before it is too late.

Four more Renaults with capacity of 2000 kilos each scheduled depart April 12 or 13 for Dachau. They will also remain this area to distribute parcels to large number smaller camps administered from Dachau.

ICRG further counts on being able ship within next ten days by rail to new ICRG depot at Ravensburg between Swiss border and Munich, balance of approximately 80,000 VEB parcels remaining in Switzerland. Plan is then to move these parcels on by trucks as rapidly as possible to accessible camps near Munich and to east and northeast thereof mentioned in my 1988. This trucking will be done with 11 more Renaults which ICRG's DSA is due to receive week after next total agreed being 20. They will be operated by gasoline released to ICRG by SHARP for VEB programs first tank carload of which is already enroute from Marseille to Geneva.

-2- 2248 #2045, April 7, 6 p.m., from Bern

Our thirty three and tubes have arrived and first advance of Diesel oil (Legation's 1981, April 8) will be made to ICRG today. Herbert Katski is now in Geneva accelerating arrangements with ICRG to make at least four more trucks available for VEB shipments on basis tires and oil.

ICRG informs me that in addition to above-mentioned trucks a small convey of five wood burning Swiss trucks belonging to commercial transport concern of Braendli in Basel will leave Switzerland next week in effort to get through to Denmark to repatriate Swiss citizens there. Braendli has agreed transport ten tons of relief goods to women's concentration camp of Ravensbrueck for ICRG.

The fourth trucks which Sternbusch was fortunately able to rent (Legation's 1940, March 23) left Switzerland on March 29 with ICRG assistance but headed for the Resienstadt rather than Bergen Helsen as previously reported.

HAHRISON

EDA

B2

PRECISION TRADE MARK MICROFILM

NOT TO BE RE-TRANSMITTED

COPY NO. 4

SECRET

OPTTEL NO. 111

Information received up to 10.30 a.m. 7th April, 1945.

NAVAL

1. Home Waters.

6th/7th (night). E-boats approaching the coast off Yarmouth were engaged and driven off by a British frigate and MTB's when one E-boat badly damaged and one MTB caught fire and sank. Thereafter other MTB's intercepted retiring E-boats sinking one and taking seven prisoners while our losses one MTB sunk and another seriously damaged but taken in tow.

2. Mediterranean

In Adriatic, Yugoslav Partisans supported by Coastal Craft and LCU captured Pag Island (off Zara) and Karlobag (North Zara).

3. Enemy Attacks on shipping.

6th. A merchant vessel (11420) in convoy torpedoed and sunk by U-boat off Isle of Wight when one fatal casualty suffered and 265 survivors rescued. U.S. Tanker (8537), torpedoed by U-boat off Cape Cod but taken in tow.

4. Anti-Submarine operations.

5th. U-boat probably mined and sunk in St. George's Channel.

6th. Norwegian MTB 715 torpedoed large U-boat when on surface off Bergen. Promising attack also made off Cape Wrath by Liberator. U-boat also sunk (four officers and fourteen ratings taken prisoner) off Isle of Wight by a British destroyer and a Canadian frigate after torpedoing a merchant vessel.

MILITARY.

5. Western Front.

Southern Sector. Units of Seventh U.S. Army advanced twenty miles in area North Würzburg where Bruchensau and Hammelburg have been reached while despite Enemy counter attacks more ground gained in and South of Würzburg.

Central Sector. Third U.S. Army Armour pressing on beyond Gotha and Mulhausen while Cassel now occupied. First U.S. Army continues attack Enemy Ruhr pocket from East and South where steady gains made while other elements in conjunction with those of Ninth U.S. Army now closing up to River Weser between Cassel and Minden. Armour of this latter Army have secured Hamelin in which area several small bridgeheads across River Weser have been established.

-2-

Northern Sector. Second British Army secured bridgeheads. Across River Weser, North of Minden which Enemy making every effort to eliminate. To West this area U.K. and Canadian Armour made good progress on wide front with patrols reaching Salingen, Meppen, Dahlen and Deventer. Except in Weser bridgehead and along River Ijssel Enemy resistance light and scattered.

6. Eastern Front.

Northern Sector. Further reduction of Germans encircled S.E. Danzig while to North Germans report their forces as having disengaged and crossed to split of land North of Gdynia.

Southern Sector. Considerable advances made Carpathian Zone where over thirty localities taken. Further South, but North of Danube, River Morava reached on forty mile front N.E. of Bratislava, while south of Danube advance of 25 miles made Eastward from Bratislava and capture of place two miles South Vienna reported. Still further South fifty places S.W. Lake Balaton and on Yugoslav Territory have been taken.

AIR.

7. Western Front

6th. U.S. Escorted Heavy bombers 646 (outstanding bombers 9, fighters 5) dropped 1409 tons through cloud railway centres Leipzig, Halle and Gera.

SHAEP (Air). Medium bombers dropped 201 tons on three railway yards Central Battle Area, Ammunition dump Southern area and strongpoints West coast of France, while fighters and fighter bombers 864 (missing 9) operated whole front destroying or damaging 600 road and rail vehicles while also inflicting Enemy air casualties 13:0:13.

8. Mediterranean

4th/5th (night). Liberators 75 (missing 2) made concentrated attack railway centre Bescia (194 tons).

5th. Escorted Heavy bombers, 504 (missing 1) dropped 876 tons on three railway targets, airfield and shipyards in North Italy, and also 272 tons on railway bridge Yugoslavia. Tactical aircraft 1446 (missing 8) attacked communications and other targets South Germany, Austria, Yugoslavia and North Italy, with good results while inflicting Enemy air casualties 20:0:16.

NOT TO BE RE-TRANSMITTED

COPY NO. 4

SECRET

OPTEL NO. 111

Information received up to 10.a.m. 7th April, 1945.

NAVAL

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4. Anti-Submarine operations.

5th. U-boat probably mined and sunk in St. George's Channel.

6th. Norwegian MTB 715 torpedoed large U-boat when on surface off Bergen. Promising attack also made off Cape Wrath by Liberator. U-boat also sunk (four officers and fourteen ratings taken prisoner) off Isle of Wight by a British destroyer and a Canadian frigate after torpedoing a merchant vessel.

MILITARY.

5. Western Front.

Southern Sector. Units of Seventh U.S. Army advanced twenty miles in area North Furzburg where Bruchenaau and Hammelburg have been reached while despite Enemy counter attacks more ground gained in and South of Furzburg.

Central Sector. Third U.S. Army Armour pressing on beyond Gotha and Mulhausen while Cassel now occupied. First U.S. Army continues attack Enemy Ruhr pocket from East and South where steady gains made while other elements in conjunction with those of Ninth U.S. Army now closing up to River Weser between Cassel and Minden. Armour of this latter Army have secured Hamelin in which area several small bridgeheads across River Weser have been established.

Northern Sector. Second British Army secured bridge-heads. Across River Weser, North of Minden which Enemy making every effort to eliminate. To West this area U.K. and Canadian Armour made good progress on wide front with patrols reaching Sulingen, Mappen, Dalen and Deventer. Except in Weser bridge-head and along River Ijssel Enemy resistance light and scattered.

6. Eastern Front.

Northern Sector. Further reduction of Germans encircled S.E. Danzig while to North Germans report their forces as having disengaged and crossed to split of land North of Gdynia.

Southern Sector. Considerable advances made Carpathian Zone where over thirty localities taken. Further South, but North of Danube, River Morava reached on forty mile front N.E. of Bratislava, while south of Danube advance of 25 miles made Eastward from Bratislava and capture of place two miles South Vienna reported. Still further South fifty places S.W. Lake Balaton and on Yugoslav Territory have been taken.

AIR.

7. Western Front

6th. U.S. Escorted Heavy bombers 646 (outstanding bombers 9, fighters 5) dropped 1409 tons through cloud railway centres Leipzig, Halle and Gera.

SHAFF (AIR). Medium bombers dropped 201 tons on three railway yards Central Battle Area, Ammunition dump Southern area and strongpoints West coast of France, while fighters and fighter bombers 864 (missing 9) operated whole front destroying or damaging 600 road and rail vehicles while also inflicting Enemy air casualties 13:0:13.

8. Mediterranean

4th/5th (night). Liberators 75 (missing 2) made concentrated attack railway centre Bescia (194 tons).

5th. Escorted Heavy bombers, 504 (missing 1) dropped 876 tons on three railway targets, airfield and shipyards in North Italy, and also 272 tons on railway bridge Yugoslavia. Tactical aircraft 1446 (missing 8) attacked communications and other targets South Germany, Austria, Yugoslavia and North Italy, with good results while inflicting Enemy air casualties 20:0:16.

NOT TO BE RE-TRANSMITTED

COPY NO. 4

SECRET

OPTEL No. 112

Information received up to 10 a.m., 8th April, 1945.

NAVAL

1. HOME WATERS. 7th/8th. Five E-boats operated off Ostend and preliminary reports state two sunk by our patrols.

2. PAST INDIES. Four of H.M. Destroyers recently sank one coaster and one junk in Mergui Archipelago and also shelled radar station Great Coco Island (M. Andamans).

3. ENEMY ATTACK ON SHIPPING. 7th. A 7176 ton U.S. merchant vessel in inward Atlantic convoy torpedoed off Anglesey but towed into port.

MILITARY

4. WESTERN FRONT. Southern Sector: During last two days 2nd French Corps made general advance of eight to fifteen miles during which Ettlingen has been cleared. Armour of 7th U.S. Army reached River Main Se Wurzburg, while to north of town is now approaching Schweinfurt.

Central Sector: 1st and 9th U.S. Armies have closed to River Weser between Cassel and Minden, while armour of latter has established large bridgehead east of Hamelin.

Northern Sector: Armour of 2nd British Army attacking N.E. now 18 miles S.S.E. Bremen, while bridgehead over River Weser north of Minden being consolidated.

5. EASTERN FRONT. Southern Sector: Further progress made N.E. Bratislava, while to south of Danube Klosterneuburg (N. Vienna) captured and street fighting reported in southern parts Vienna itself.

6. ITALY. Adriatic Sector: 8th Army troops made slight progress south Lake Comacchio.

In west Coastal Sector U.S. troops of 5th Army made small gains and beat off counter attacks immediately east of Massa.

7. BURMA. Central Sector: Both sides regrouping after battle of Mandalay Plain, while our leading division supported by armour continues advance south Meiktila and is now 10 miles from Pyawbwe.

AIR

8. WESTERN FRONT. 7th. 1257 escorted U.S. heavy bombers (22 bombers, 6 fighters outstanding) dropped 3074 tons visually on targets north and east Hamburg among which six airfields (1200 tons) four railway centres including Neumunster and Schwerin (541 tons), two explosive works (716 tons) an ordnance depot and two oil storage depots (617 tons) while at same time inflicting enemy casualties 104,19,28 in combat.

SHAEF (Air) medium bombers 237 dropped 364 tons railway centres Northeim and Gottingen with good results while 1944 fighters and fighter bombers (7 missing) operated northern and central sectors destroying 40 AFV's and 270 M.T. in Central Sector alone and also inflicting enemy air casualties 13,3,2 in combat and 47,2,8 on ground. Coastal Command Beaufighters 21 attacked shipping off Vadheim (Sogne Fiord) when two ships of 2000 and 3500 tons and escort vessel left on fire.

9. MEDITERRANEAN. 6th. 387 U.S. heavy bombers dropped 841 tons railway yards, bridges and other targets North Italy. 1032 tactical aircraft attacked communications, supplies and close support targets North Italy and Yugoslavia.

10. BURMA. 5th. Heavy bombers attacked supply dumps Rangoon (134 tons) while 231 tactical aircraft attacked other targets.

PARAGRAPH OF TELEGRAM KNOWN

FROM: American Embassy, Chungking
TO: Secretary of State, Washington
DATED: April 8, 1945
SUBJECT: B22

SECRET

Shaw's No. 222 dated April 7 is reference cable. Treasury Attache Adler, with Dr. Hoang and party, left for Washington yesterday, April 7. Treasury should be informed.

#222222

DE/LIM 4/9/45

MEMORANDUM FOR THE SECRETARY'S STAFF

April 9, 1945

Conference on the Treatment of Germany
Secretary Morgenthau's Office
March 23, 1945
9:00 A.M.

Present: For the Treasury Department - Secretary Morgenthau
Mr. White
Mr. Coo
For the State Department - Mr. Clayton
Mr. Matthews
For the War Department - Mr. McCloy
General Milder

At the Secretary's request, the discussion started a few minutes before the arrival of the Secretary and Mr. McCloy. Mr. Clayton stated that he was in favor of having the group send the document which he had shown to the Treasury the day before (Attachment A) to the President for his approval. Mr. White distributed copies of a proposed memorandum document, prepared in the Treasury (Attachment B). General Milder announced that he knew that Mr. McCloy had a document, copies of which would be available as soon as Mr. McCloy came (Attachment C).

Treasury Document

Mr. Clayton asked whether the policy recommended by the Treasury in 2 A was inconsistent since the sentence stated that "supervision and veto power" were to be maintained but that no "agency would assume responsibility for the functioning of the internal German economy...." Mr. White said he did not think that there was any inconsistency, but that the language merely stated that the type of supervision which was to be exercised was not one which would make us responsible for every detail of the economic functioning of Germany. Mr. Clayton declared that he thought that we had to assume that responsibility. Mr. White stated that he thought that the President definitely did not want us to assume that responsibility.

Mr. Clayton further objected to the language of the Treasury document which stated that economic activities should be administered and operated on a decentralized basis. Mr. Coo pointed out that this was "subject to the decisions by the Central Council" which could accept any functions or parts of functions, if it found it necessary to conduct these functions centrally. Mr. Matthews said that the State Department agreed with 2 B of the Treasury document about the distribution of decentralizing the political structure.

The President's Discussion

Mr. McCloy said that the War Department draft had been worked out on the basis of what the President told the representatives of the State

- 2 -

88

and War Departments in his discussion with them the previous afternoon. He said that he had checked his own recollection of what the President had said with Lt. Col. John Beettiger, who had been present at the conference, and that Mr. Beettiger agreed with the following summary of the President's views:

1. There should be provision for central administration for some of the national public services.
2. The State Department's draft directive of March 10 should be rewritten.
3. Aside from reparations, German industries and the German economy should be left intact for German use. The President definitely did not want to "liquidate" German heavy industries.
4. Attempts should be made to decentralize the political structure. There should be as much decentralization as possible in the sphere of economic activity.

Mr. McCloy asked Mr. Clayton whether this was a correct interpretation of what the President had said and Mr. Clayton stated that it was. It was agreed by the group that they would review Mr. McCloy's memorandum in order to see how well it carried out the points which the President wished stressed.

In subsequent discussion the following remarks were attributed to the President at the session of the preceding day--mainly by Mr. McCloy.

Quotes

The President was quoted as having said that he had made a mistake at Quebec and that he blamed this on Churchill. The President had told the group that they could tell by reading the memorandum that Churchill had drafted it, for it used the word "pastoral" which the President said he would never have thought of using in this connection.

Economic Controls

The President was said to have been very anxious about the need for these controls in occupied Germany. The kind of controls he would be inclined to use would be committees of say three Germans to a committee who would be told that they had to do this and thus or see that this was done. If these things were not carried out they should be shot. The President was said to have used rationing as a good example of a control which he thought the Allies should not impose on Germany or try to run. He thought this should be left to the Germans.

Minimum Standard of Living

The President thought that we should not be responsible for maintaining a minimum standard of living in Germany. He thought that of course we should feed the German people to prevent them from starving and he

- 3 -

thought that starvation ought to be the line at which our positive intervention began. The President again mentioned soup kitchens for feeding the German people. However, Mr. McCloy said that the President had not objected to the words "disease and unrest".

Industry

The President said that he did not hold extremist views on this subject. He had mentioned specifically that he would let the Germans retain such industries as machine tools and locomotive manufacture. So long as the Germans used their industries for their own internal needs, he had no objection to their having a substantial industry. The President said he therefore did not believe in such things as ruining the mines and otherwise destroying German industry. (Compare, however, Secretary's record of telephone conversation the preceding day with Mr. McCloy, in which the latter had said that the President thought that something could be done to contract German industry but that it would take expert planning and handling.)

Administration

The President was quoted as saying that he was open minded on the question of what matters had to be handled centrally. He thought that this and many other questions could not be settled in detail ahead of time; that we had to get into the country first and take a look and see what was possible and impossible.

Secretary Morgenthau's Remarks

Secretary Morgenthau made the following general remarks in the first part of the discussion both before and after Mr. McCloy spoke:

The matters which this group had been asked to deal with were among the most important which would help to make the peace. At this time in his life the Secretary had only two objectives: first, to help win the war, and the second to help make a lasting peace. He considered the future treatment of Germany so crucial for peace that he was willing to say that this conference was one of the most important in which he had ever participated.

If he had not so evaluated the subject, he would not have raised questions concerning the State Department's draft directive of March 10. From the moment he saw the document last week in Mr. Stettinius' office, he had never doubted that a serious mistake was being made. He had said then that the policies therein contained were bad and that he was sure that they were contrary to the President's views. He hoped that there would not be any hurt feelings as a result of the actions which he had taken, but in the circumstances he had felt that there was nothing he could do except tell the President exactly what he thought. He was sorry that Mr. Stettinius had considered that he ought to keep out of the field of general policy for Germany. This had meant that he (Secretary Morgenthau) had had to fight this matter by himself. He hoped he would be excused if he said that he felt very glad about the actions which the President

- 4 -

90

had taken yesterday. The President was bound to object to these policies, if given a real opportunity to pass upon them.

The Secretary felt sure that now this group could quickly work out an agreed policy. He had enjoyed working on this matter with Mr. McCloy. They had worked together in complete frankness, each knew where the other stood, and he appreciated what Mr. McCloy had done in recent days within the limits of the instructions given him by Secretary Stimson. He and Mr. Clayton had worked closely together on the French lend-lease matter and despite difficulties had come through to agreement, which he (Secretary Morgenthau) had had no occasion to regret.

Draft Presidential Directive

Activity of the Control Council

The paragraph drafted by the War Department was accepted, with only minor changes.

Decentralization

The War Department draft of this paragraph was accepted with minor changes after a discussion. Mr. Clayton and Mr. Matthews said that they certainly agreed on the question of political decentralization. Mr. McCloy pointed out that the present draft followed the President in emphasizing decentralization by permitting central control of the national public services.

Controls

These sentences were accepted as drafted except that industrial disarmament was inserted as a category along with demilitarization where controls would be exerted.

Living Standards

The language was substantially that proposed by the War Department.

International Transactions

The War Department had proposed that exports and imports should be controlled with the aim of making Germany self-contained. At the suggestion of Messrs. White and Cox this was changed so that all economic and financial transactions of an international character should be controlled with the aim of preventing Germany from developing a war potential and for other military occupation objectives. At Mr. White's urging a sentence was also inserted prohibiting the extension of credit to Germany by any foreigners. Messrs. McCloy and Clayton wished the Control Council to retain an emergency power on this matter and the final sentence was so worded.

- 5 -

91

Reparations

After discussion of the point raised by Mr. Coe, it was agreed to add a sentence providing that reparations should not by their form or amount require the rehabilitation of German heavy industry and should not foster the dependence of other countries upon Germany.

Mr. Clayton made the point that a first charge on all exports which were necessary for reparations or otherwise should be a sufficient to pay for imports. The thought was that the proceeds of exports should be diverted to pay for imports in order to prevent a situation arising where certain countries finance the imports and certain other countries get all the exports as reparations. Mr. Coe argued that this language might be construed as sanctioning a considerable volume of imports which were alleged to be necessary in order to pay for reparations. However, the consensus was that it would not be so construed.

External Assets

Mr. White and Mr. Coe wished to have language inserted stating that all of Germany's external assets were to be seized and held for reparations, restitution and other war claims. Mr. Clayton at first argued against this as confiscation but later agreed that provided it was clear that the external assets were to be held for legitimate claims of the United Nations there was no objection. Mr. McCloy felt that the subject was not important enough to be inserted in this directive. Mr. White and Mr. Coe also argued that language providing that all future acquisitions of foreign exchange assets during the control period should be reserved for reparations and restitution. The language of this proposal was thought to be technically unacceptable or too restricted to be inserted in this document. Secretary Morgenthau, Mr. Clayton and Mr. McCloy stated that they were agreed in principle about taking away Germany's external assets using them for reparations and restitution, and not allowing her to accumulate any during the control period. It was thought that the best place to carry out this intent would be in a later financial directive.

German Responsibility

The paragraph on this matter, which placed the responsibility for the administration and efficiency of economic controls on the German people, was accepted practically as written.

Demobilization and the War Criminals

These paragraphs were accepted with only one change which was other than textual. The War Department draft had stated that "all other undesirable persons" would be removed from public office, etc. This was changed to "all other persons hostile to Allied purposes" after Mr. Clayton and Secretary Morgenthau had raised points about this.

War Criminals

Secretary Morgenthau desired a much stronger paragraph than the one drafted by the War Department. Mr. White and Mr. Coe suggested certain

- 6 -

92

specific language. However, Mr. McCloy, supported by Mr. Clayton, urged that this paragraph went as far as could be done in line with the President's discussion of the preceding day. Thereupon the Secretary said that although he felt this was the key problem, he also felt that the President was so firmly committed to a program of reducing the size of German heavy industry that the President was certain to issue more detailed instructions at a later time. The Secretary said that since he had not been present at the conference referred to, he did not wish to urge the adoption of language which Messrs. McCloy and Clayton thought went beyond or was contrary to what the President had said.

Signature Document

The Secretary suggested that because the document was important for future peace and because the President had had many documents presented to him on this subject with the signature of only one person upon them, he thought that the men in the room should all sign the completed draft, which was to go to the White House. This was done.

Withdrawal of March 10 Document

Secretary Morgenthau said that unless it was embarrassing to the Department of State he thought that the heading of the present document should primarily say that the March 10 directive was withdrawn. Mr. Clayton said that he believed that this would be clearly understood, since if the President approved, its later use would cause it to supersede the preceding document. The Secretary replied that he was afraid there would be some misunderstanding. Mr. White asked Mr. McCloy and General Hildring whether everyone in the Army would understand that this document superseded the March 10 directive. Mr. McCloy said that they would on the points which were covered. Mr. White asked whether it would be clear in the Army that this document took precedence over and hence the revision of any other document contrary to it. He thought that the Army practice was always specifically to enumerate what regulations were rescinded by subsequent regulations. General Hildring said that Mr. White was all right about Army procedure but that such enumeration was done only when all the specific enumerations could be enumerated. He thought that in the present instance there were so many you could not enumerate them.

Secretary Morgenthau returned to his point saying that if there was no objection he thought that it should be made clear that the March 10 directive was superseded. There had been a lot of discussion about that directive and now people might have seen it was rescinded. Mr. Clayton said that he would be glad to do it if necessary but thought it unnecessary. Mr. White asked whether the March 10 directive had been sent to Mr. Winant. Mr. Clayton thought it had not. Mr. Matthews said it had but did not think Mr. Winant had received it, since it was sent by air. Secretary Morgenthau said that Winant might not understand that the old document was now superseded. Mr. Matthews said that Mr. Winant would be informed almost within the hour that the President signed it.

- 7 -

93

In response to still another statement by the Secretary in favor of specific language about rescinding the March 10 directive, Mr. Clayton pointed out that since Mr. Stettinius had signed the March 10 document, he and Mr. Matthews would be hesitant to recommend the insertion of language requested by Mr. Morgenthau, unless they checked with Mr. Stettinius. Secretary Morgenthau said that he understood that they would hesitate to agree to withdraw a document which had been signed by their chief, before they had any chance to talk with their chief. Therefore, he would not press his request.

Procedure for Clearance

Mr. McCloy said that he wanted the President's approval of this document by the afternoon if possible. If it was approved he intended shortly to fly with it to General Eisenhower's headquarters and discuss it there and later with the military and diplomatic officials of this government in London. Secretary Morgenthau said that the appropriate person to present it to the President was Mr. Howe, and he suggested that it be done after lunch in the afternoon. Mr. Clayton suggested that Secretary Morgenthau present it to the President. The Secretary declined, but said he would be glad to be present, if Mr. Howe invited him to be. It was agreed that the Secretaries of State and Treasury and the Secretary of War or his representative would see the President after lunch.

Formulation of Subsidiary Directives

Secretary Morgenthau, Mr. Clayton and Mr. McCloy agreed that upon the acceptance of this document, JCS 1067 (revised) and its appendices, their other directives would have to be revised. The three agreed that the policy of cooperation which had been followed in the drafting of this document would be followed in the drafting of subsidiary documents and that representatives of the three agencies, with suitable additions, to sit around the table.

Reparations

In the course of the discussion, Mr. Clayton mentioned several conferences had been had with Mr. Lohm about reparations. Secretary Morgenthau said that the Treasury too had conferred with Mr. Lohm. The Secretary suggested, and it was agreed by Mr. Clayton, that some various discussions of reparations would not be held separately in the future but that the agencies concerned would sit down together.

Personnel for Germany

During the meeting, Mr. McCloy stated that he was making efforts to get General Lucius Clay for the top job in Germany and that he was hopeful that Mr. Byrnes would release him. He also said that General Draper wanted Mr. Douglas for a top position there but that Mr. Douglas' acceptance partly depended upon who was to be the head man.

Secretary's Concluding Remarks

When the document was signed and after discussion of procedure had been

- 8 -

84

concluded, the Secretary stated that he now felt good for the first time in a week. He had been very disturbed about the March 10 document. He had been shocked to learn that it had been approved up and down the line, and he knew that Mr. Stettinius had not had an opportunity to study it. The President had not remembered it, and it was clear that the document had not been presented to the President as the important state paper it was. Mr. Clayton interjected to say that he had never seen the document until the day he was called to the White House. The Secretary said that he felt what had been drafted this morning was an enormous improvement and that very serious mistakes had been corrected. The Secretary thanked the men present for the fine way in which they had worked and said he hoped that these agreements on policy would serve to smooth the whole administrative process of dealing with Germany.

Mr. McCloy said that the Army was much better satisfied now and that the present document was one under which they could really work. Mr. Clayton and Mr. Matthews said that they too were fully satisfied with the present document, and believed that it represented the views of their Department.

10:45

Clayton
55X

NEEDS OF CONTROL OF GERMANY

1. Degree of responsibility for the functioning of the German economy.

The German economy is expected to yield a substantial amount of reparations in capital equipment, current output and labor services.

The German economy must provide a minimum living standard for the German people to prevent disease and unrest, and must contribute to the maintenance of the occupying forces and the care of millions of displaced persons.

A large part of Germany's productive wealth has doubtless been destroyed and millions of Germans will be homeless.

Transportation facilities and public utilities will be seriously disrupted and impaired.

Since the Nazis have occupied the key positions in the German economy and since such persons will either flee or be taken into custody, it will be necessary to find competent German personnel to take their places.

Such reorganization as this will involve will be the responsibility of the occupying nations.

It is contemplated that Germans will continue to administer the German economy but under a close supervision of the authorities of the occupying nations similar to the supervision that a Board of Directors would exercise over the administration of a corporation.

2. Degree of centralized control in Germany.

The political Government of Germany should be decentralized to the highest possible degree.

Centralized control by the occupying nations of certain economic functions such as the public services, transportation, communications, postal service, banking, etc. will be essential to efficient operation.

All economic activities of a nature not requiring national direction should be administered and operated on a decentralized basis.

UNITED STATES VIEWS ON THE TREATMENT OF GERMANY

Decentralization and Controls

(1) It is recognized that the Control Council may find it necessary and desirable:

(a) To use centralized instrumentalities in Germany to carry out those functions of public services (transportation, communications, etc.) which it is essential to conduct centrally for the accomplishment of the purposes of military occupation.

(b) To take such measures with respect to the administration of the German internal economy as may be necessary to prevent starvation and epidemic which might endanger the security of the occupying forces and the accomplishment of its purposes.

(c) Dependent upon the decisions reached by the Reparations Commission in Moscow, to take measures with respect to the German internal economy as may be necessary to collect reparations.

(2) Subject to decisions on the above by the Control Council:

(a) We should maintain supervision and veto power but should avoid assuming responsibility for the functioning of the internal German economy and its economic controls and should leave the problem of the maintenance and rehabilitation of the German economy in German hands.

(b) The political structure of Germany should be decentralized to the highest possible degree and economic activities should be administered and operated on a decentralized basis. To this end, local, municipal and regional organs should be strengthened to the extent possible.

German Industry

(c) We should aim at the maximum possible contraction of German heavy industry through the program of reparation removals and otherwise. These measures should leave industry for Germany's domestic needs, but in the program of reparations and restitution the needs of liberated areas shall take precedence over the needs of Germany. Recurrent reparations should be in such form and amounts as not to require the maintenance or development of German heavy industry, and as not to make other countries dependent upon Germany after reparations cease.

TOP SECRET

23 March 1945

The following is a summary of U.S. policy relating to Germany in the initial post-defeat period. As such it will be introduced into the European Advisory Commission, and will be used as the basis for directives to be issued to the U.S. Commanding General in Germany.

The authority of the Control Council to formulate policy with respect to matters affecting Germany as a whole will be paramount, and its agreed policies will be carried out in each zone by the zone commander. In the absence of such agreed policies, and in matters exclusively affecting his own zone, the zone commander will exercise his authority in accordance with directives received from his own government.

The administration of affairs in Germany should be directed toward the decentralization of the political structure and the revival of local responsibility. The German economy shall also be decentralized. However, to the minimum extent required for carrying out the purposes set forth herein the Control Council may permit or establish central control of (a) essential national public services such as railroads, communications and power, (b) finance and foreign affairs, and (c) production and distribution of essential commodities. There shall be equitable distribution of such commodities between the several zones.

Controls may be imposed upon the German economy only as may be necessary (a) to carry out programs of demilitarization, reparations, and external relief as prescribed by appropriate higher authority and (b) to assure the production and maintenance of goods and services required to meet the needs of the occupying forces and displaced persons in Germany, and essential to prevent starvation or such disease or civil unrest as would endanger the

- 2 -

TOP SECRET

88

occupying forces. No action shall be taken, in execution of the reparations program or otherwise, which would tend to support basic living standards in Germany on a higher level than those existing in any neighboring Allied Nation. German exports and imports shall be controlled with the aim of making Germany self contained.

In the imposition and maintenance of economic controls, German authorities will to the fullest extent practicable be ordered to proclaim and assume administration of such controls. Thus it will be brought home to the German people that the responsibility for the administration of such controls and for any breakdowns in those controls, will rest with themselves and their own authorities.

The Nazi party and its affiliated and supervised organizations and all Nazi public institutions shall be dissolved and their revival prevented. Nazi and militaristic activity or propaganda in any form shall be prohibited.

There shall be established a coordinated system of control over German education designed completely to eliminate Nazi and militarist doctrines and to make possible the development of democratic ideas.

Nazi laws which provide the basis of the Hitler regime and which establish discriminations on grounds, race, creed and political opinion, shall be abolished.

All members of the Nazi party who have been more than nominal participants in its activities, and all other undesirable persons, will be removed from public office and from positions of responsibility in private enterprise.

War criminals and those who have participated in planning or carrying out Nazi enterprises involving or resulting in atrocities or war crimes,

- 3 -

TOP SECRET

89

shall be arrested, brought to trial and punished. Nazi leaders and influential Nazi supporters and any other persons dangerous to the occupation or its objectives, shall be arrested and interned.

A suitable program for the restitution of property looted by Germans shall be carried out promptly.

The German armed forces, including the General Staff, and all paramilitary organizations, shall be promptly demobilized and disbanded in such a manner as permanently to prevent their revival or reorganization.

The German war potential shall be destroyed. To this end all implements of war and all specialized facilities for the production of armaments shall be seized or destroyed. The maintenance and production of all aircraft and implements of war shall be prevented.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

100

DATE April 9, 1945

TO Secretary Morgenthau *Inf. memo*
FROM Mr. Coe FC

These are the two documents to take the place of 1007 which have so far been agreed to by the Drafting Committee. Part I is the general directive and Part II is the financial directive.

Part III, the economic directive, is not agreed in any form yet.

TOP SECRET

TOP SECRET

30 March 1945

101

DIRECTIVE TO COMMANDER-IN-CHIEF OF U.S. FORCES OF OCCUPATION
REGARDING THE MILITARY GOVERNMENT OF GERMANY

1. The purpose and Scope of this Directive:

This directive rescinds JCS 1067 and is issued to you as Commanding General of the United States forces of occupation in Germany. As such you will serve as United States member of the Control Council and will also be responsible for the administration of military government in the zone or zones assigned to the United States for purposes of occupation and administration. It outlines the basic policies which will guide you in those two capacities after the termination of the combined command of the Supreme Commander, Allied Expeditionary Force. It is anticipated that substantially similar directives will be issued to the Commanders-in-Chief of the U.K., U.S.S.R., and French forces of occupation. Supplemental directives will be issued to you by the Joint Chiefs of Staff as may be required.

PART I

2. The Basis of Military Government:

a. The rights, power and status of the military government in Germany are based upon the unconditional surrender or total defeat of Germany. The text of the Instrument of Unconditional Surrender is at Appendix "A". You will assure that the policies set forth in that Instrument are carried out in your zone of occupation even though the defeat of Germany is not followed by a formal signing of the Instrument.

b. Subject to the provisions of paragraph 3 below, you are, by virtue of your position, clothed with supreme legislative, executive, and judicial authority in the areas occupied by forces under your command. This authority will be broadly construed and includes authority to take all measures deemed by you necessary, appropriate or desirable in relation to military exigencies and the objectives of a firm military government.

TOP SECRET

TOP SECRET

TOP SECRET

c. You will issue a proclamation continuing in force such proclamations, orders and instructions as may have heretofore been issued by Allied Commanders in your zone, subject to such changes as you may determine. Authorizations of action by the Supreme Commander, Allied Expeditionary Force, may be considered as applicable to you unless inconsistent with this or later directives.

3. The Control Council and Zones of Occupation:

a. The four Commanders-in-Chief, acting jointly, will constitute the Control Council in Germany which will be the supreme organ of control over Germany in accordance with the agreement on Control Machinery in Germany at Appendix "B". For purposes of administration of military government, Germany has been divided into four zones of occupation. The agreed protocols on zones are at Appendix "C".

b. The authority of the Control Council to formulate policy and procedures and administrative relationships with respect to matters affecting Germany as a whole will be paramount throughout Germany. You will carry out and support in your zone the policies agreed upon in the Control Council. In the absence of such agreed policies you will act in accordance with this and other directives of the Joint Chiefs of Staff.

c. The administration of affairs in Germany shall be directed towards the decentralization of the political and administrative structure and the development of local responsibility. To this end you will encourage autonomy in regional, local and municipal agencies of German administration. The German economic structure shall also be decentralized. The Control Council may, however, to the minimum extent required for the fulfillment of purposes set forth herein, permit centralized administration or establish central control of (a) essential national public services such as railroads, communications and power, (b) finance and foreign affairs, and (c) production and distribution of essential commodities.

d. The Control Council will adopt procedures to effectuate, and you will facilitate in your zone, the equitable distribution of essential

- 2 -
TOP SECRET

TOP SECRET

TOP SECRET

commodities between the zones. In the absence of a conflicting policy of the Control Council, you may deal directly with one or more zone Commanders on matters of special concern to such zones.

e. Pending the formulation in the Control Council of uniform policies and procedures with respect to inter-zonal travel and movement of civilians, no civilians shall be permitted to leave or enter your zone without your authority.

f. The military government personnel in each zone, including those dealing with regional and local branches of the departments of the central German administrative machinery, shall be selected by authority of the Commander of that zone except that liaison officers may be furnished by the Commanders of the other three zones. The respective Commanders-in-Chief shall have exclusive jurisdiction throughout the whole of Germany over the members of the armed forces under their command and over the civilians who accompany them.

g. The Control Council will be responsible for facilitating the severance of all governmental and administrative connections between Austria and Germany and the elimination of German economic influences in Austria. You will give every assistance to the Allied Administration in Austria in its efforts to effectuate these purposes.

4. Basic Objectives of Military Government in Germany:

a. It should be brought home to the Germans that Germany's ruthless warfare and the fanatical Nazi resistance have destroyed the German economy and made chaos and suffering inevitable and that the Germans cannot escape responsibility for what they have brought upon themselves.

b. Germany will not be occupied for the purpose of liberation but as a defeated enemy nation. Your aim is not oppression but to occupy Germany for the purpose of realizing certain important Allied objectives. In the conduct of your occupation and administration you should be just but firm and aloof. You will strongly discourage fraternization with the German officials and population.

c. The principal Allied objective is to prevent Germany from ever again becoming a threat to the peace of the world. Essential

- 3 -

TOP SECRET

TOP SECRET 104

steps in the accomplishment of this objective are the elimination of Nazism and militarism in all their forms, the immediate apprehension of war criminals for punishment, and the industrial disarmament and demilitarization of Germany, with continuing control over Germany's capacity to make war.

d. Other Allied objectives are to enforce the programs of reparations and restitution, to provide relief for the benefit of countries devastated by Nazi aggression, and to ensure that prisoners of war and displaced persons of the United Nations are cared for and repatriated.

5. Economic Controls:

a. Controls upon the Germany economy may be imposed centrally by the Control Council, or regionally or locally by you, only to the extent that such controls may be necessary to achieve the objectives enumerated in paragraph 4 above and only as they may be essential to protect the safety and meet the needs of the occupying forces and assure the production and maintenance of goods and services required to prevent starvation or such disease and unrest as would endanger those forces. No action will be taken in execution of the reparations program or otherwise which would tend to support basic living conditions in Germany or in your zone on a higher level than that existing in any one of the neighboring United Nations.

b. In the imposition and maintenance of such controls as may be prescribed by you or the Control Council, German authorities will to the fullest extent practicable be ordered to proclaim and assume administration of such controls. Thus it should be brought home to the German people that the responsibility for the administration of such controls and for any breakdowns in those controls will rest with themselves and German authorities.

6. Demasification:

a. A Proclamation dissolving the Nazi Party, its formations, affiliated associations and supervised organizations, and all Nazi public institutions which were set up as instruments of Party domination, and

- 4 -

TOP SECRET

TOP SECRET

TOP SECRET 105

prohibiting their revival in any form, will be promulgated by the Control Council. You will assure the prompt effectuation of that policy in your zone and will make every effort to prevent the reconstitution of any such organization in underground, disguised or secret form. Responsibility for continuing desirable non-political social services of such Party organizations as are dissolved may be transferred by the Control Council to appropriate central agencies and by you to appropriate local agencies.

b. The laws purporting to establish the political structure of National Socialism and the basis of the Hitler regime and all national laws, decrees and regulations which establish discriminations on grounds of race, nationality, creed or political opinions will be abrogated by the Control Council and rendered inoperative by you in your zone.

c. All members of the Nazi party who have been more than nominal participants in its activities, all active supporters of Nazism or militarism and all other persons hostile to Allied purposes will be removed and excluded from public office and from positions of importance in quasi-public and private enterprises such as (1) civic, economic and labor organizations, (2) corporations and other organizations in which the German government or subdivisions have a major financial interest, (3) industry, commerce, agriculture, and finance, (4) education, and (5) the press, publishing houses and other agencies disseminating news and propaganda. Persons are to be treated as more than nominal participants in Party activities and as active supporters of Nazism or militarism when they have (1) held office or otherwise been active at any level from local to national in the Party and its subordinate organizations, or in organizations which further militaristic doctrines, (2) authorized or participated affirmatively in any Nazi crimes, racial persecutions or discriminations, (3) been avowed believers in Nazism or racial and militaristic creeds, or (4) voluntarily given substantial moral or material support or political assistance of any kind to the Nazi Party or Nazi officials and leaders. No such persons shall be retained in any of the categories of employment listed above because of administrative necessity, convenience or expediency.

- 5 -

TOP SECRET

TOP SECRET 106

d. Property, real and personal, owned or controlled by the Nazi party, its formations, affiliated associations and supervised organizations, and by suspected war criminals and leaders of the Nazi hierarchy, and found within your zone will be taken under your control pending a decision by the Control Council or higher authority as to its eventual disposition.

e. All archives, monuments and museums of Nazi inception, or which are devoted to the perpetuation of German militarism, will be taken under your control and their properties held pending decision as to their disposition by the Control Council.

f. You will make special efforts to preserve from destruction and take under your control records, plans, books, documents, papers, files, and scientific, industrial and other information and data belonging to or controlled by the following:

- (1) The central German Government and its subdivisions, German military organizations, organizations engaged in military research, and such other governmental agencies as may be deemed advisable;
- (2) The Nazi Party, its formations, affiliated associations and supervised organizations;
- (3) All police organizations, including security and political police;
- (4) Important economic organizations and industrial establishments including those controlled by the Nazi Party or its personnel;
- (5) Institutes and special bureaus devoting themselves to racial, political, militaristic or similar research or propaganda.

7. Demilitarization:

a. In your zone you will assure that the German armed forces, including para-military organizations are promptly demobilized and disbanded in accordance with policies and procedures set forth in the Instrument of Unconditional Surrender or other directives which may be issued to you.

b. The Control Council will proclaim and in your zone you will effectuate the total dissolution of all military and para-military

TOP SECRET 107

organizations, including the General Staff, the German Officers Corps, the Reserve Corps and military academies, together with all associations which might serve to keep alive the military tradition in Germany.

c. You will seize or destroy all arms, ammunition and implements of war and stop the production thereof.

d. You will take proper steps to destroy the German war potential, as set forth in Part II hereof.

8. Suspected War Criminals and Security Arrests:

a. You will search out, arrest, and hold, pending receipt by you of further instructions as to their disposition, Adolf Hitler, his chief Nazi associates, other war criminals and all persons who have participated in planning or carrying out Nazi enterprises involving or resulting in atrocities or war crimes.

b. All persons who, if permitted to remain at large would endanger the accomplishment of your objectives will also be arrested and held in custody. The following is a partial list of the categories of persons to be arrested in order to carry out this policy:

- (1) Officials of the Nazi Party and its formations, affiliated associations, and supervised organizations, down to and including Local Group Leaders (Ortgruppenleiter) and officials of equivalent rank;
- (2) All members of the political police, including the Gestapo and Sicherheitsdienst der S.S.;
- (3) The officers and non-commissioned officers of the Waffen S.S. and all members of the other branches of the S.S.;
- (4) All General Staff Corps officers;
- (5) Officials of the police holding a rank, or equivalent positions of authority, above that of Lieutenant;
- (6) Officers of the SA holding commissioned rank;
- (7) The leading officials of all ministries and other high political officials down to and including urban and rural

TOP SECRET 108

burgemeister and officials of equivalent rank, and those persons who have held similar positions, either civil or military, in the administration of countries occupied by Germany:

(8) Nazis and Nazi sympathizers holding important and key positions in (a) National and Gau civic and economic organizations; (b) corporations and other organizations in which the government has a major financial interest; (c) industry, commerce, agriculture, and finance; (d) education; (e) the judiciary; and (f) the press publishing houses and other agencies disseminating news and propaganda. It may generally be assumed in the absence of evidence to the contrary that any persons holding such positions are Nazis or Nazi sympathizers;

(9) All judges, prosecutors and officials of the People's Court (Volksgerichtshof), Special Courts (Sondergerichte) and other extraordinary courts created by the Nazi regime;

(10) Any national of any of the United Nations or associated states who is believed to have committed offenses against his national law in support of the German war effort;

(11) Any other persons whose name or designation appears on lists to be submitted to you or whose name may be notified to you separately.

If in the light of conditions which you encounter in Germany you believe that certain persons within these categories should not be subjected immediately to this treatment, you should report your reasons and recommendations to the Joint Chiefs of Staff.

9. Political Activities:

a. Initially you will not permit political activities of any kind, and you will assure that your military government does not become committed to any political group.

b. You will prohibit the propagation in any form of Nazi and militaristic doctrines.

TOP SECRET 109

c. No German parades, military or political, civilian or sports, shall be permitted by you.

d. Subject to the provisions of the three preceding subparagraphs and of paragraph 10 to the extent that military interests are not prejudiced, freedom of speech and press, and of religious worship, will be permitted. Consistent with military necessity, all religious institutions will be respected.

10. Public Relations and Control of Public Information:

As a member of the Control Council, you will endeavor to obtain agreement on a quadripartite basis for uniform or coordinated policies with respect to (a) control of public information media in Germany, (b) accrediting of foreign correspondents, (c) press censorship, and (d) issuance of official news communiques dealing with Control Council matters of Germany as a whole. U. S. policies in these matters will be sent to you separately and you will be guided by these in your negotiations on the Control Council.

11. German Courts:

a. All extraordinary courts, including the Volksgerichtshof (People's Court) and the Sondergerichte (Special Courts), and all courts and tribunals of the Nazi Party and of its formations, affiliated associations and supervised organizations will be abolished immediately.

b. All ordinary criminal, civil and administrative courts, except those previously re-established by order of the military government, will be closed. After the elimination of all Nazi elements you will permit those which are to exercise jurisdiction within the boundaries of your zone to resume operations under such regulation, supervision and control as you may consider appropriate. Courts which are to exercise jurisdiction over territory extending beyond the boundaries of your zone will be reopened only with the express authorization of the Control Council and under its regulation, supervision and control. The power to review and veto decisions of German courts shall be included within the power of supervision and control.

12. Police:

With the exception of the Reichskriminalpolizei (Criminal Police) all elements of the Reichserheitzpolizei (Security Police); e.g., Geheime Staatspolizei (Gestapo) and the Sicherheitsdienst der S.S.

will be abolished. Criminal and ordinary police will be purged of Nazi personnel and utilized under the control and supervision of the military government.

13. Political Prisoners:

Subject to military security and the interests of the individuals concerned, you will release all persons found within your zone who have been detained or placed in custody on grounds of race, nationality, creed or political opinions and treat them as displaced persons. You should make provision for the review of convictions of alleged criminal offenses about which there may be substantial suspicion of racial, religious or political persecution, and in which sentences of imprisonment have not been fully served by persons imprisoned within your zone.

14. Education:

a. All educational institutions within your zone except those previously re-established by Allied authority will be closed. The closure of Nazi educational institutions such as Adolf Hitler Schulen, Naples and Ordensburgs, and of Nazi organizations within other educational institutions will be permanent.

b. A coordinated system of control over German education and an affirmative program of reorientation will be established designed completely to eliminate Nazi and militaristic doctrines and to encourage the development of democratic ideas.

c. You will permit the reopening of elementary schools at the earliest possible date after Nazi personnel has been eliminated and textbooks and curricula have been provided which are free of Nazi and militaristic doctrine. The Control Council may devise programs looking toward the reopening of secondary schools, universities and other institutions of higher learning. Pending the formulation of such policies by the Control Council, you may formulate an interim program within your zone and in any case may permit the reopening of such institutions and departments which offer training which you consider immediately essential or useful in the administration of military government and the purposes of the occupation.

d. It is not intended that the military government will intervene in questions concerning denominational control of German schools, or in

TOP SECRET¹¹

religious instruction in German schools, except insofar as may be necessary to insure that religious instruction and administration of such schools conform to such Allied regulations as are or may be established pertaining to purging of personnel and curricula.

15. Arts and Archives:

Subject to the provisions of paragraph 5 above, you will make all reasonable efforts to preserve historical archives, museums, libraries and works of art.

3/6/44

112

PART II

FINANCIAL DIRECTIVE (REVISED IN LIGHT OF PRESIDENTIAL POLICY STATEMENT)

1. You will make full application in the financial field of the principles stated elsewhere in this Directive. You will endeavor within the framework of paragraphs 3c and 5 of Part I, to have the Control Council adopt uniform financial policies, to carry out the purposes of the occupation.

2. You will regulate and control currency circulation within your zone in accordance with the following provisions, and subject to any agreed policies of the Control Council:

- a. United States forces and other Allied forces within your zone will use Allied Military marks and Reichsmark currency or coins in their possession. Allied Military marks and Reichsmark currency and coin now in circulation in Germany will be legal tender without distinction and will be interchangeable at the rate of 1 Allied Military mark for 1 Reichsmark. Reichskreditkassenscheine and other German military currency will not be legal tender in Germany.
- b. You will receive separate instructions relative to the currency which you will use in the event that for any reason adequate supplies of Allied Military marks and Reichsmarks are not available, or if the use of such currency is found undesirable.
- c. You will not announce or establish in your zone, until receipt of further instructions, any general rate of exchange between the Reichsmark on the one hand and the U.S. dollar and other currencies on the other. However, a rate of exchange to be used exclusively for pay of troops and military accounting purposes in your zone will be communicated separately to you.
3. Subject to any agreed policies of the Control Council, you are authorized to take the following steps and to put into effect such further financial measures as you may deem necessary to accomplish the purposes of your occupation:

113

- 2 -

- a. To permit or require the Reichsbank, the Rentenbank or any other bank or agency to issue bank notes and currency which will be legal tender; without such authorization no German governmental or private bank or agency will be permitted to issue bank notes or currency.
- b. To require the German authorities to make available Reichsmark currency or credits free of cost and in amounts sufficient to meet all the expenses of the forces of occupation, including the cost of Allied Military Government and including to the extent that compensation is made therefor, the cost of such private property as may be requisitioned, seized, or otherwise acquired, by Allied authorities for reparations or restitution purposes.
- c. To prohibit, or to prescribe regulations regarding, transfer or other dealings in private or public securities or real estate or other property.
- d. To close banks, but only for a period long enough for you to introduce satisfactory control, to remove Nazi and other undesirable personnel, and to issue instructions for the determination of accounts to be blocked under sub-paragraph 6d below.
- e. To close stock exchanges, insurance companies, and similar financial institutions for such periods as you deem appropriate.
- f. To establish a general or limited moratorium or moratoria only to the extent clearly necessary to carry out the objectives of Allied Military Government.
- h. Resumption of partial or complete service on the internal public debt at the earliest feasible date is deemed desirable. You will endeavor to secure agreement in the Control Council as to the time and manner of such resumption.
5. You shall take no steps designed to maintain, strengthen or operate the German financial structure except insofar as may be necessary for the

114

- 3 -

purposes specified in this Directive.

6. Subject to any agreed policies of the Control Council,

a. You will prohibit:

(1) the payment of all military pensions, or other emoluments or benefits, except compensation for physical disability limiting the recipient's ability to work, at rates which are no higher than the lowest of those for comparable physical disability arising from non-military causes.

(2) the payment of all public or private pensions or other emoluments or benefits granted or conferred:

(i) by reason of membership in or services to the former Nazi party, its formations, affiliated associations or supervised organizations,

(ii) to any person who has been removed from an office or position in accordance with paragraph 6 of part 1 or paragraph 10 of this part, and

(iii) to any person arrested and detained in accordance with paragraph 6 of part 1 during the term of his arrest, or permanently, in case of his subsequent conviction.

b. You will take such action as may be necessary to insure that all laws and practices relating to taxation or other fields of finance, which discriminate for or against any persons because of race, nationality, creed or political opinion, will be amended, suspended, or abrogated to the extent necessary to eliminate such discrimination.

c. The German authorities will be held responsible for taking such measures in the field of taxation and other fields of public finance including such restoration of the tax system and maintenance of tax revenues at the highest practicable level as will further the accomplishment of the objectives

115

- 4 -

of Allied Military Government.

d. You will impound or block all gold, silver, currencies, securities, accounts in financial institutions, credits, valuable papers, and all other assets falling within the following categories:

(1) Property owned or controlled directly or indirectly, in whole or in part, by any of the following:

(a) The German Reich, or any of the Lander, Gaus or provinces, any Kreis, Municipality or other similar local subdivision; or any agency or instrumentality of any of them including all utilities, undertakings, public corporations or monopolies under the control of any of the above;

(b) Governments, nationals or residents of other nations, including those of territories occupied by them, at 1 September 1939;

(c) The Nazi Party, its formations, affiliated associations and supervised organizations, its officials, leading members and supporters;

(d) All organizations, clubs or other associations prohibited or dissolved by military government;

(e) Absentee owners of non-German nationality including United Nations and neutral governments, and Germans outside of Germany;

(f) Any institution dedicated to public worship, charity, education or the arts and sciences which has been used by the Nazi Party to further its interests or to cloak its activities;

(g) Persons placed under detention or other types of custody by you, and all other persons specified by military government by inclusion in lists or otherwise; and

116

- 5 -

- (2) Property which has been the subject of transfer under duress or wrongful acts of confiscation, disposition or spoliation, whether pursuant to legislation or by procedure purporting to follow forms of law or otherwise;

- (3) Works of art or cultural material of value or importance, regardless of the ownership thereof.

You will take such action as will insure that any impounded or blocked assets will be dealt with only as permitted under licenses or other instructions which you may issue. In the case particularly of property blocked under 1 a above, you will proceed to adopt licensing measures which while maintaining such property under surveillance would permit its use in consonance with this Directive.

7. All foreign exchange transactions, including those arising out of exports and imports, shall be controlled with the aim of preventing Germany from developing a war potential and of achieving the other objectives set forth in this Directive.

- (a) To effectuate these purposes, you will, in addition to other measures stated in this Directive, reduce to the possession and control of a special agency established by you, within your command, all German (public and private) foreign exchange assets of every kind and description located within or outside Germany for disposition as reparation or restitution or for other purposes as determined by appropriate authority. As U.S. member on the Control Council you will endeavor to have similar agencies for the same purpose established in the other zones of occupation and to have them merged as soon as practicable in one agency for the entire occupied territory;

- (b) Subject to any Agreed policies of the Control Council, you will prohibit, except as you may permit by regulation or license, all dealings in gold, silver, foreign exchange, and all foreign exchange transactions of any kind. You will not, however, until

117

- 6 -

receipt of further instructions, authorize any outlay of German foreign exchange assets upon imports, including those from neutral countries, and will not authorize payment in Germany's foreign exchange for any other purposes, except where clearly and urgently needed to further the agreed objectives of the Allied Military Government. You will establish effective controls with respect to all foreign exchange transactions, to effectuate the policies of this Directive, including:

- (1) Transactions as to property between persons inside Germany and persons outside Germany;
- (2) Transactions involving obligations owed by or to become due from any person in Germany to any person outside Germany; and
- (3) Transactions involving the importation into or exportation from Germany of any foreign exchange asset or other form of property.

8. No extension of credit to Germany or Germans by any foreign person or Government shall be permitted except that the Control Council may in special emergencies grant permission for such extensions of credit.

9. It is not anticipated that you will make credits available to the Reichsbank or any other bank, or to any public or private institution. If, in your opinion, such action becomes essential, you may take such emergency actions as you may deem proper, but in any event, you will report the facts to the Control Council.

10. In addition to the provisions of paragraph 8 c of Part I of the basic directive, you will eliminate other undesirable personnel and influences from the Reich Ministry of Finance and from all public and private financial institutions, agencies and organizations.

11. You will maintain such accounts and records as may be necessary to reflect the financial operations of the military government in your zone

118

- 7 -

and you will provide the Control Council with such information as it may require, including information in connection with the use of currency by your forces, any governmental settlements, occupation costs, and other expenditures arising out of operations or activities involving participation of your forces.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 10 1945

TO Secretary Morgenthau (for information)
 FROM Mr. Coe *CC*
 Subject: Rosenman-Keynes Conversations

Lord Keynes stated during these conversations that:

1. The British do not intend to use 3 (c) of the Lend-Lease Act to obtain post-war credits. Keynes has suggested that further conversations be held in Washington this summer or after hostilities in Europe are over to discuss financial arrangements which shall supersede lend lease. In this connection Keynes said that the post-war situation would call for a "brain wave" similar to the one the President had had in 1940 when lend lease was evolved.

2. Keynes asserted that Britain would need financial assistance during the post-war period; that Britain's losses as a result of the war were of the same magnitude as the reparations that Russia had requested should be placed upon Germany at the Yalta Conference. In view of Britain's heavy burden of international indebtedness, Britain was not in a position to consider long-term credits to any other country.

120

SECRET

Memorandum of a meeting in the office of Lord Keynes,
 British Treasury, Whitehall, March 7, 1945.

Present:- U. K. Representatives

Lord Maynard Keynes, Treasury Department
 Sir Wilfred Eady, Treasury Department
 Mr. F. E. Harmer, Treasury Department

U. S. Representatives

Judge Samuel I. Rosenman, White House
 Mr. D. M. Phelps, State Department
 Mr. W. B. Taylor, Treasury Department

The meeting with Lord Keynes had been arranged at the suggestion of Mr. Harmer in order that the Judge might have an opportunity of exchanging views with Lord Keynes of the British Treasury. Judge Rosenman explained briefly the purposes of his mission stating that he had been requested by the President to proceed to Europe and examine the situation in respect to requirements for civilian supplies in the liberated areas. The President had also requested that the Judge should discuss with the representatives of the liberated areas the problems relating to their needs for financial assistance in paying for civilian supplies and in rehabilitation and reconstruction in the post-war years. The Judge stated that it would be helpful in this regard if we could obtain from the British Treasury any information they might care to make available in respect to Great Britain's financial programming for Phase 3 -- that is, whatever financial assistance Great Britain might intend to make available to the liberated areas together with a statement of the financial assistance that Great Britain herself might require in the period following termination of hostilities in the Pacific. It was the Judge's hope that we might be able to discuss these matters in a strictly general and informal way -- and off the record.

Lord Keynes said that he did not think the present

171

- 2 -

was timely for a discussion of the financial aspects of these problems. He stated that in the Phase 2 negotiations that had been conducted in Washington in November of 1944 that the President had informed him that he did not think questions of post-war financial commitments should be discussed during the midst of a military campaign. Lord Keynes stated that the British were very much interested at the present time in the question of the renewal of the Lend-Lease Act by Congress and also in the question of the Congressional appropriation that would be voted for Lend-Lease. Lord Keynes stated that the British Treasury did not have an agreed financial policy beyond Phase 2. The matter had not been canvassed within the British Treasury although individual officials had been giving the matter serious consideration. He said that he would be happy to offer some of his observations in respect to the financial problems of the post-war period providing Judge Rossmore understood clearly that these were merely in the nature of personal comments and not to be given any publicity or circulation. Sir Wilfred Eady confirmed that the Treasury did not have an agreed policy and added that he thought it might be helpful if Lord Keynes were to offer some of his personal observations in respect to these matters. Lord Keynes stressed that the British did not think that Lend-Lease would prove to be a satisfactory arrangement during Phase 2. In this connection he mentioned that the British did not intend to pursue a policy similar to that of France of using Section 30 of the Lend-Lease Act as a vehicle for the obtaining of post-war credits. Lord Keynes stated that it was his view that Lend-Lease and reciprocal aid should come to an end with the conclusion of hostilities against Japan.

Lord Keynes observed, however, that it was obvious that Lend-Lease could not be terminated the day hostilities ceased. There would be an interim period which he referred to as a twilight zone during which Lend-Lease and reciprocal aid would have to be continued and during which a great many problems would arise, some of which would be of a very complex and difficult nature. Sir Wilfred Eady distinguished the following categories of goods which would have to be dealt with in this twilight

122

- 3 -

zone -- stockpiles of Lend-Lease origin in the UK, goods in the pipeline, goods manufactured but not yet shipped, goods in process of manufacture, goods for which contracts had been negotiated in the U.S. but which had not yet been manufactured. Lord Keynes felt that the question of food and of civilian supplies of Lend-Lease origin were particularly significant and would have to be dealt with on some basis that would be mutually satisfactory to the American and British authorities. Lord Keynes stated that at the present time Lend-Lease aid to Great Britain was running somewhere in the neighborhood of \$8 billion a year. He estimated that the total value of commodities in the pipeline might approximate \$2 billion at any one time and that if the stocks of goods in the UK of Lend-Lease origin were added it would measurably increase the values involved.

Besides the problems of the twilight zone Lord Keynes noted that there were many imponderables in the present situation which would have to be taken into account. Amongst these he noted the following:

1. The rate of conversion of British industry from war production to consumption and export requirements.
2. The necessity of transferring great numbers of men and equipment to the Pacific theater of war upon the conclusion of hostilities in Europe.
3. The rate at which the repatriation and demobilization of troops took place with consequent augmentation of the labor force.
4. The amount of the sterling balances at the end of the war.
5. The nature of the negotiations terminating Lend-Lease and reciprocal aid arrangements.

Lord Keynes stated it as his view that there would be no great volume of labor available for use in Britain upon the termination of hostilities in Europe. Sir Wilfred Eady stressed that the Prime Minister had indicated what was to

123

- 4 -

happen when he informed the President that the British were going "to go all out" in the Pacific war. It was unlikely that the present restrictions on civilian consumption, rationing and price control would be appreciably modified in the period immediately subsequent to the conclusion of the European war.

Lord Keynes stated that he considered the problems concerning the termination of lend-lease and reciprocal aid arrangements and the question of what type of financial assistance was to supersede lend-lease so important that he urged that further conversations and consultations about these matters should be held in Washington in the early summer of this year or shortly after the end of hostilities in Europe.

Lord Keynes said that upon the termination of hostilities with Japan there would be a need for some new arrangement for American financial assistance. He reiterated that the British were unwilling that lend-lease should be continued. He thought it was absolutely essential, however, that there should be no reversion to the ordinary type of commercial loan. He said that he had informed the President when he had spoken to him in November 1944 that what was needed was for the President to have a "brain wave" out of which would come some new financial arrangement which would be successful in placing world economy in a position to function in a manner satisfactory to both the British and American Governments. He stated that the President had such a brain wave in 1940 when he devised lend-lease as the instrument of making funds and goods available to the countries actively engaged in fighting the war. Lend-lease had successfully lifted the question of financial and economic assistance out of the levels of commercialism and had developed an effective machine that was a fighting weapon in itself. The present called for a new "brain wave" which would be neither lend-lease nor commercial credits. There could be no question but that Britain would need financial assistance in the post-war period and financial assistance of a type that would allow her to buy needed raw materials from the markets of the world and reconvert her industry

124

- 5 -

for the export trade, thus paving the way for Britain's return to a position of economic and supply importance in the affairs of the world. Questioned by Judge Rosenman as to what the nature of the "brain wave" should be, Lord Keynes indicated that he did not think it desirable to say anything additional about this subject at the present time. He felt that the problem was primarily one for the Americans to consider and felt that the suggestions should come from them. The proposed arrangement in order to be acceptable to the American people would have to be one that was obviously American by origin and temperament.

Lord Keynes was asked if Britain would attempt to make use of the borrowing facilities created by the International Fund or the International Bank, and if consideration had been given to the question of borrowing on the commercial markets of the world. Lord Keynes stated that in respect to these international financial organizations Great Britain would be a contributor rather than a borrower. He stated that the fund was being set up with the primary objective of stabilizing international exchange rates and that the countries of the world other than the U.S. and U.K. would be the greatest claimants on the fund. The funds placed at the Bank's disposal would be primarily for the development of the resources of the backward areas of the world. Clearly Britain did not fall within this category. Lord Keynes felt that though some of the other countries of the world might wish to borrow on the capital markets of the world he did not see how this would offer any effective solution to the capital needs of Great Britain in the post-war period.

Lord Keynes was asked if it was the British intention to resume her position as an international creditor through granting loans to other nations in the post-war period. Lord Keynes remarked that it would be an essential adjunct in the finance of British exports to other nations that Britain should make short term commercial credit arrangements which would be in keeping with the type of goods involved. Thus certain types of exports of varying life expectancy would be financed under flexible but basically short term credit arrangements. However, for the time being Britain would not be in a

125

- 3 -

position to make loans as such to other nations. Britain would be a borrower herself and it would tend to impose too great a strain upon British facilities to expect her to undertake financing of a long-term character in respect to other areas of the world.

Lord Keynes took this opportunity to comment on the Bretton Woods financial proposals. He said that British Treasury officials are following closely the course of the Bretton Woods legislation before Congress and were hopeful about the situation. He said that unfortunately in the U.K. there was a great deal of vocal opposition to the Bretton Woods Monetary Agreements. This opposition was induced in large part by a feeling that neither the Fund nor the Bank offered an effective solution to England's post-war economic and financial problems. He said that England had thrown everything she had into the war without reservation. England was now destitute and without resources. Many Englishmen were unable to understand what measures could be taken to correct this situation and, hence, tended to fall back upon a theory of imperial trade and preference and bilateral arrangements with other nations. Such views had found expression in debates in the House of Parliament. In order to allay a great deal of this criticism and feeling, Sir John Anderson had held the third of a series of meetings with important members of parliament yesterday afternoon. At these meetings Sir John Anderson had explained carefully and clearly the purposes and necessity for both the Fund and the Bank and the part that Great Britain would play in these organizations. The opposition of these Parliamentary representatives to Bretton Woods had lessened appreciably as a result of these talks with the Chancellor of the Exchequer but there had been no lessening in the concern that these Parliamentary representatives expressed as to what was going to happen to Britain in the post-war period. The present sentiment in England in favor of tariffs, imperial preference and bilateral arrangements did not stem from a belief in these things as such but rather from the inability of people to think their way clearly through the innumerable problems that would confront England in the post-war years. He asserted

126

- 7 -

that Britain was the only United Nation which would emerge from the war with a heavy burden of international indebtedness. The other United Nations might have large internal debts but they had not contracted obligations to the world at large. Britain was in the position of a desperate creditor who had to find a remedy by one means or another and, who, in the event that satisfactory arrangements could not be effected, would obviously settle upon other alternatives no matter how bad they might be.

Lord Keynes stated that Great Britain's international indebtedness through sterling balances as a result of the war was currently about \$12 billion. This indebtedness would increase with each month the war lasted and its ultimate level at this time could not be determined. He said that the British did not look forward to any considerable alleviation in the rate of increase of their external debt as a result of the termination of hostilities in Europe for the British were insistent that they were going to use their men and equipment for carrying the war to Japan. Furthermore, even when the hostilities in the Pacific ceased this did not necessarily mean that an automatic stop would occur in the growth of Britain's international indebtedness. He stated that, including Canada but excluding the U.S., Great Britain was spending for troop pay and services to their armed forces in various parts of the world over \$4 billion a year. This expenditure would continue until the members of the armed forces were brought home and demobilized. He was not sanguine over the rapidity over which either the men could be transported or demobilization take place. He said that he thought probably Canada could be excluded from this picture because Canada had offered mutual assistance to the U.K. in that event, the annual rate of increase for pay of troops and other army services would be in excess of \$3 billion. Growing out of these remarks Lord Keynes said that he had suggested during the November discussions in Washington that upon the coming of peace probably there should be a reevaluation of the question of the burden of war costs and a redistribution and reallocation of these costs. Asked if he would care

127

to comment further upon this subject Lord Keynes stated that the only additional remark that he would care to make in this regard was that some Allies and dependencies had tended to take the view that this was "our" that is, Britain's war. It would be necessary to re-examine this situation and see what could be done about it. At this point Sir Wilfred Eady said that President Roosevelt had also referred to this potentiality in speaking of a necessity of "equal sacrifice for all". Sir Wilfred Eady remarked that, of course, it would not be possible to bring about equal sacrifice for all but that certainly greater justice could be done to some.

At this point in the discussion Lord Keynes was asked if he would care to estimate the overall indebtedness that Britain had incurred as a result of war. Lord Keynes replied that the only thing that he could say was that Britain's losses as a result of the war were of the same magnitude as the reparations that Russia had requested should be placed upon Germany at the Yalta Conference. The Russians had suggested a program of reparations that in its magnitude was staggering.

Lord Keynes stated that one of the most important factors in discussing Britain's post-war economic and financial position was the national political situation. He said that for a long time the Government had been telling the people that an election would be held within a few weeks or months of the termination of hostilities in Europe. Lord Keynes was inclined to be extremely skeptical of either the wisdom or the likelihood of an election being held within the stated period. He said that, in view of the dangers that the Pacific war would place upon the production facilities of Great Britain for a continued flow of war materials and in view of continuing manpower shortages as a result of the transference of troops to the Pacific theater, it would be necessary to continue in force, and without essential modification, the present controls restricting civilian consumption to the bare essentials in food, clothing, and the amenities of life. Such restrictions would certainly be resented by the British people and he doubted if the Government would dare to do to the country

128

under such circumstances. Nor could His Majesty's opposition urge an extensive relaxation of the controls without assuming a responsibility of interfering with Britain's war effort in the Far East. Lord Keynes also said that of course it would be necessary following VE day to turn over such production facilities as might become available, through a cutting back in war production, for the export trade. Britain lived by exports and it must return to the commercial markets of the world as rapidly as possible. He said that for as long a period as could be foreseen at this time the problem in relation to exports would be one of an inability to produce as much as the nations of the world could consume. The years immediately following upon victory in Europe would be ones of general scarcity of goods throughout the world. He stated that the goal that the British were striving for in the export market was to increase exports five times over their present physical volume.

Lord Keynes asked Judge Rosenman if he was going to interest himself in the question of UNRRA. Judge Rosenman replied that he was naturally interested in the question of UNRRA to the extent that it would affect supply operations in the liberated areas. Lord Keynes stated emphatically his view that UNRRA had failed in its mission. For over a year the nations of the world have been looking to UNRRA to help them in the relief of the destitute and the provision of medical supplies for the weak and disabled. To date UNRRA had done nothing except engage in a host of excuses that could be adjudged as nothing other than "alibi's" for its own inefficiencies. He felt that the ineffectiveness of UNRRA derived largely from two things. The first of these was the failure of the U.S. and the U.K. (he mentioned in this connection Dean Acheson and Richard Law by name) the largest contributors to UNRRA to insist that their point of view should be adopted at the Atlantic City Convention at which the charter and the terms of reference of UNRRA were agreed to. He said that as a result of this failure, the claimant nations who really were contributing nothing to UNRRA had been able to put over their own point of view. He said that it was extremely ridiculous that such ex-enemy countries as Italy, Bulgaria, Rumania

129

- 10 -

and Hungary should have been excluded from UNRRA operations. He said that he could understand the reason for the exclusion of Germany from UNRRA operations inasmuch as it might be necessary to treat Germany as a separate case. The second reason for the ineffectiveness of UNRRA was the complete incompetence of the present administration and its inability to come to grips with practical problems. He spoke of UNRRA as "the outstanding international failure of the war period". Because of UNRRA's attitudes and policies the nations of the world had come to think of UNRRA as a policing organization -- one which would limit their procurement of materials through screening rather than an organization which would aid them in relief and rehabilitation. Both Lord Keynes and Sir Wilfred Eady thought that there was still an opportunity of making UNRRA an effective international organization. UNRRA was the natural body which should have control of the equitable distribution of civilian supplies to the claimant nations in the post-war period and of seeing to it that some nations did not obtain civilian supplies at the expense of others. However, such a program could be successfully instituted only under a new and more effective administration.

Judge Rosenman said that though UNRRA might be justly criticized for some shortcomings nonetheless he felt that some of the remarks that had been made should be more properly directed at the agreements reached by the United Nations in the meetings of the General Assembly of UNRRA at Atlantic City and Montreal. He called attention to the fact that UNRRA was expressly prohibited from providing relief and rehabilitation supplies to enemy countries. This provision had been modified at the Montreal Conference to the extent of allowing UNRRA to spend \$20 million for operations in Italy. Judge Rosenman further pointed out that UNRRA was also prohibited from carrying on activities in any national area without the express consent of the Government of that area and that most governments had come to look upon the request of UNRRA to be allowed to supervise the distribution of goods of UNRRA origin as an infringement of the principle

130

- 11 -

of sovereignty. Judge Rosenman also called attention to the fact that the Allied Military Authorities had refused to allow UNRRA to commence operations in the liberated areas during the military period -- the military period was generally understood to be six months from the date of active military operations in any area.

Lord Keynes stated that, in any event, the British did not feel that they could contribute more to UNRRA than had already been earmarked. He pointed out that large British territories in the Far East, such as Burma, Malaya, Hong Kong and Borneo which had been under Japanese occupation for three years or more would require extensive emergency and relief shipments of foods, medicines, clothing and other vitally essential materials. Lord Keynes estimated that the total of these supplies would be in the neighborhood of a billion dollars. Sir Wilfred Eady agreed with this estimate.

 Wm. H. Taylor

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 4/11/45 -

TO Secretary Morgenthau
 FROM Mr. Coo *cl*
 SUBJECT: British Post War Foreign Lending Policy

1. The U. K. Treasury has informed the U. S. Treasury Representative in London, that Britain's financial position will not permit her to extend credits to European countries after the war. The U. K. Treasury stated that a 5 million pound credit would probably be given to the Czechs inasmuch as this was a pre-war commitment, but a credit request from the Turkish Government has been refused. No other European countries have approached the British for credits, according to the U. K. Treasury. It was conceded that exceptions to this credit policy might be made for political reasons, as in the case of the offer of a 30 million pound short term credit to the Russians.

2. In view of the insistence of the British financial community that Britain bolster her post-war export position by a program of Government sponsored long-term credits, this statement of credit policy by the U. K. Treasury cannot be accepted as the unaltered British post-war position. It clearly appears that the British are deliberately holding back on revealing their post-war financial plans with regard to Europe until U. K. discussions on the financial arrangements which will supersede lend lease are completed. The British are obviously waiting for the "brain wave" that Lord Keynes mentioned to Judge Rosenman, before disclosing their lending plans. It is obvious that they do not wish to injure their claim to U. S. financial aid on the basis of their "debtor" position.

DEPARTMENT
OF
STATEINCOMING
TELEGRAMDIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

132

GEM-63
 This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (SECRET 0)

London
 Dated March 22, 1945
 Rec'd 11:59 p.m.

Secretary of State,

Washington.

2978, March 22, 9 p.m.

FOR SECRETARY OF TREASURY FROM MANN

Reference to your 1936, March 13.

One. Sir David Waley states that in general the United Kingdom because of United Kingdom external financial position will not be in a position to extend credits to European countries. The United Kingdom Treasury appreciates fully the need of the liberated countries of Europe for credits to obtain the imports necessary for restocking and reconstruction but feels that these countries "should look to credit or nations like the United States and Canada for necessary loans and not to debtor nations like the United Kingdom".

Two. According to Waley it will be necessary in the financing of British exports to provide arrangements for short term commercial credits but the

-2-#2978, March 22, 9 p.m., from London

123

emphasis will be on selling British exports for cash whenever possible. He did not elaborate on what such arrangements would be put emphasized that while flexible enough to cover all types of goods the credits would be basically short term in nature.

Three. Waley states that a credit of about 5,000,000 pounds will probably be given to Czechoslovakia because of a pre-war commitment on the part of the United Kingdom when Czechoslovakia made its gold available to the United Kingdom.

Four. Reference to Embassy's 1749, February 20 to the Department. British have still not received a reply to British proposal of short term credits in the neighborhood of 30,000 pounds. Waley mentioned that the proposal was made largely as a political gesture and suggested that it may prove necessary for political reasons to make exceptions in the case of other nations to the United Kingdom Treasury policy of not extending credits.

Five. According to Waley the Turkish Government approached the British with a view to obtaining credits and was immediately advised by the British that they were not in a position to extend credits. None of the other

-3-#2978, March 22, 9 p.m., from London

124

the other European countries have approached the British for credits.

Six. With regard to France you are referred to the Anglo-French financial agreement which Waley states was made available to you in Washington on March 21, 1945.

WINANT

WMB

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 9, 1945

TO Secretary Morgenthau (For Information)
FROM Mr. Coo FU

Mendes-France has finally resigned from the French cabinet. Plevin is taking over the Ministry of National Economy in addition to the Finance Ministry. The day after his resignation Mendes-France gave a statement to the press in which he attacked the financial policy of Plevin and said that it was leading France into an inflation which would wipe out the French middle class.

It is expected that Plevin will be in this country for the San Francisco conference.

AK

135

April 9, 1945

136

Dear Lieut. Putzell:

I am writing to acknowledge receipt of your letter of April 8 with which was enclosed a copy of radiotelephone message #261 from Berne. Secretary Morgenthau is still away from Washington, but as soon as he returns to his desk I shall bring your letter and its enclosure to his attention.

Yours sincerely,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Lieut. E. J. Putzell, Jr.,
Acting Executive Officer,
Office of Strategic Services,
Washington, D. C.

RESTRICTEDOFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

137

6 April 1945

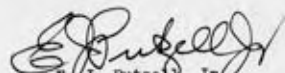
Honorable Henry Morgenthau, Jr.
The Secretary of the Treasury
Treasury Department
Washington, D. C.

My dear Mr. Morgenthau:

I am forwarding, as being of possible
interest to you, copy of radiotelephone message
#291, dated 5 April 1945.

It was received last night from our
representative in Berne.

Respectfully yours,



E. J. Putzell, Jr.
Lt. (jg), USNR
Acting Executive Officer

Enclosure

RESTRICTED

12"

Bureau of the
DirectorOFFICE OF STRATEGIC SERVICES
OFFICIAL DISPATCH

#001

DATE 5 April 1945

FROM Berno

INFO

PRIORITY

ROUTINE

DEFERRED

TO

DIRECTOR, OFFICE OF STRATEGIC SERVICES

DISTRIBUTION

(FOR ACTION)

(FOR INFORMATION)

RECEIVED IN PLAIN TEXT

RESTRICTED

RESTRICTED

GERMANY

According to reports received today from excellent sources, Hitler is still at or near Berlin with Hermann and his chief advisers. He is said to be endeavoring to reach a final decision, whether to make last stand with his troops at Berlin, or to leave for the German retreat.

It seems fairly clear that the Germans have abandoned all hopeless any organized defense in the west, but are still hopeful of holding off the Russians for some little time longer. It is easier to induce the German soldier to keep up a hopeless fight against the Russians than it is against the Americans and British. The idea seems to be fairly prevalent in Germany that for the soldiers taken prisoner by the Russians years of labor in Russia or Siberia may be their fate. On the other hand, it is generally believed that, if one becomes a prisoner of the Americans or British, then, after a brief period of captivity under comfortable conditions, there is a prospect of early return to Germany.

Strange as it may seem, there is no conclusive evidence of a general and wholesale evacuation of government bureaus from Berlin. Most departments of the government still have their chief administrative centers there as yet, but not very much to do. Each department has one or more places of retreat already chosen and with some personnel already shifted to these retreats. However, the movement away from Berlin by government personnel has been thrown into some confusion by the rapid advance of our forces in the West, with the result that many places chosen as safe refuges for government departments are now threatened with being overrun by our forces. No general movement of government offices to the rear has as yet been established, but a great many high Nazi officials have apparently moved their families there.

RESTRICTED

April 9, 1945

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

Subject: Taxation and bank earnings, allocation of expenses between taxable and tax-exempt income

This memorandum is in response to your request of April 2 for examples illustrating the operation of the formula for allocating bank expenses mentioned in my memorandum of March 24. Under this formula, an allowance would first be made for special expenses assumed to be associated with loans and special departments. The balance of expenses would then be allocated between taxable and tax-exempt income in the ratio of tax-exempt income to total income. Expenses allocated to tax-exempt income would be disallowed for tax purposes. (For details of the formula see appendix.)

The formula has been applied on a preliminary basis to 3 large, 3 medium-sized, and 3 small banks. The effect of its application on the 1943 income tax of these banks is summarized in Table 1. Further details of income for each bank are shown on the separate sheets attached. It has not been possible to determine accurately the effect of the formula on the excess-profits income of these banks, but it is probable that some of them would be made subject to excess-profits tax.

It should be pointed out that the effects of the formula as shown in these examples may be substantially overstated. This is because the tax-exempt income reported on the tax returns is not always adjusted to take account of premiums ordinarily paid for tax-exempt securities.

Further study may reveal the necessity of refining the formula, which is based on somewhat arbitrary assumptions, to allow adequately for special expenses on loans as distinguished from investments.

Attachments

Roy Blough

140

Table 1

Increase in income tax attributable to application of formula for allocating bank expenses between taxable and tax-exempt income -- selected banks, 1943

Bank	Assets, end of 1943	Income tax			Percent in- crease at- tributable to formula
		Before ap- plication of formula	After ap- plication of formula		
<u>Large</u>					
I	\$3,689,894,466	\$5,126,123	\$7,012,393		36.8
II	1,352,853,173	1,307,286	1,832,527		40.2
III	768,390,934	1,592,310	2,025,324		27.2
<u>Medium</u>					
IV	123,235,934	154,829	210,737		36.1
V	111,136,550	150,973	187,211		24.0
VI	106,613,265	127,970	156,211		22.1
<u>Small</u>					
VII	6,932,975	0	3,468		--
VIII	5,294,487	1,322	5,261		298.0
IX	4,422,226	1,723	3,626		110.4

Treasury Department
Division of Tax Research

April 9, 1945

141

Application of formula for allocation of bank
expenses between taxable and tax-exempt income

Bank I Assets, end of 1943 =
\$3,689,894,466

1. Income, 1943

Taxable	\$ 9,277,744
Tax-exempt	<u>13,847,245</u>
Total	\$23,124,989

2. Income tax, 1943

a. Before application of formula	\$ 5,126,123
b. After application of formula	7,012,393
c. Percent increase attributable to formula	36.8 *

- * The effect of the formula may be substantially overstated, since it is not certain that adequate allowance has been made for bond premium on tax-exempt securities in reporting income on the tax return.

142

Application of formula for allocation of bank
expenses between taxable and tax-exempt income

Bank II Assets, end of 1943 =
\$1,352,853,173

1. Income, 1943

Taxable	\$1,385,385
Tax-exempt	<u>4,947,768</u>
Total	\$6,333,153

2. Income tax, 1943

a. Before application of formula	\$1,307,286
b. After application of formula	1,832,527
c. Percent increase attributable to formula	40.2 *

- * The effect of the formula may be substantially overstated, since it is not certain that adequate allowance has been made for bond premium on tax-exempt securities in reporting income on the tax return.

143

Application of formula for allocation of bank
expenses between taxable and tax-exempt income

Bank III

Assets, end of 1943 =
\$768,390,934

1. Income, 1943

Taxable	\$2,529,985
Tax-exempt	<u>4,996,734</u>
Total	\$7,526,719

2. Income tax, 1943

a. Before application of formula	\$1,592,310
b. After application of formula	2,025,324
c. Percent increase attributable to formula	27.2 *

- * The effect of the formula may be substantially overstated, since it is not certain that adequate allowance has been made for bond premium on tax-exempt securities in reporting income on the tax return.

144

Application of formula for allocation of bank
expenses between taxable and tax-exempt income

Bank IV

Assets, end of 1943 =
\$123,235,934

1. Income, 1943

Taxable	\$329,116
Tax-exempt	<u>479,716</u>
Total	\$808,832

2. Income tax, 1943

a. Before application of formula	\$154,829
b. After application of formula	210,737
c. Percent increase attributable to formula	36.1 *

- * The effect of the formula may be substantially overstated, since it is not certain that adequate allowance has been made for bond premium on tax-exempt securities in reporting income on the tax return.

145

Application of formula for allocation of bank expenses between taxable and tax-exempt income

Bank V

Assets, end of 1943 -
\$111,138,550

1. Income, 1943

Taxable	\$183,352
Tax-exempt	<u>524,672</u>
Total	\$708,024

2. Income tax, 1943

a. Before application of formula	\$150,973
b. After application of formula	187,211
c. Percent increase attributable to formula	24.0 *

- * The effect of the formula may be substantially overstated, since it is not certain that adequate allowance has been made for bond premium on tax-exempt securities in reporting income on the tax return.

146

Application of formula for allocation of bank expenses between taxable and tax-exempt income

Bank VI

Assets, end of 1943 -
\$106,613,265

1. Income, 1943

Taxable	\$267,531
Tax-exempt	<u>141,755</u>
Total	\$409,286

2. Income tax, 1943

a. Before application of formula	\$127,970
b. After application of formula	156,211
c. Percent increase attributable to formula	22.1 *

- * The effect of the formula may be substantially overstated, since it is not certain that adequate allowance has been made for bond premium on tax-exempt securities in reporting income on the tax return.

147

Application of formula for allocation of bank
expenses between taxable and tax-exempt income

Bank VII

Assets, end of 1943 =
\$6,932,9751. Income, 1943

Taxable	\$5,262
Tax-exempt	<u>26,625</u>
Total	\$21,363

2. Income tax, 1943

a. Before application of formula	0
b. After application of formula	\$3,468 *
c. Percent increase attributable to formula	--

- * The effect of the formula may be substantially overstated, since it is not certain that adequate allowance has been made for bond premium on tax-exempt securities in reporting income on the tax return.

148

Application of formula for allocation of bank
expenses between taxable and tax-exempt income

Bank VIII

Assets, end of 1943 =
\$5,294,4871. Income, 1943

Taxable	\$ 4,625
Tax-exempt	<u>56,574</u>
Total	\$61,199

2. Income tax, 1943

a. Before application of formula	\$ 1,322
b. After application of formula	5,261
c. Percent increase attributable to formula	296.0 *

- * The effect of the formula may be substantially overstated, since it is not certain that adequate allowance has been made for bond premium on tax-exempt securities in reporting income on the tax return.

149

Application of formula for allocation of bank expenses between taxable and tax-exempt income

Bank IX

Assets, end of 1943 =
\$4,422,226

1. Income, 1943

Taxable	\$ 3,383
Tax-exempt	17,810
Total	\$21,193

2. Income tax, 1943

a. Before application of formula	\$1,723
b. After application of formula	3,626
c. Percent increase attributable to formula	110.4 *

- * The effect of the formula may be substantially overstated, since it is not certain that adequate allowance has been made for bond premium on tax-exempt securities in reporting income on the tax return.

150

APPENDIX

Formula for allocation of bank expenses between taxable and tax-exempt income

- From total expenses (not including capital losses) deduct -
 - All service, special department, capital gains, and miscellaneous income (that is, all income except earnings on loans and investments) plus
 - Special or differential expenses attributable to income from loans in the amount of 30 percent of earnings on loans.
- Allocate the balance of expenses $\frac{1}{1 + 1b} /$ to taxable and tax-exempt interest.
- Disallow expenses as follows:
 - Expense allocable to wholly tax-exempt interest equal to the percentage of item 2 which wholly tax-exempt interest $\frac{1}{/}$ bears to total earnings on loans and investments. $\frac{1}{/}$
 - Expense allocable to partially tax-exempt interest equal to the percentage of item 2 which partially tax-exempt interest $\frac{1}{/}$ bears to total earnings on loans and investments. $\frac{1}{/}$
- Normal tax
 The disallowed expenses should be the total of items 3a and 3b.

 The allowed expenses should be the total expenses (before deduction of items 1a and 1b) less the disallowed expenses mentioned above.

$\frac{1}{/}$ Gross interest minus amortizable bond premium.

151

Appendix

- 2 -

5. Surtax and declared-value excess-profits tax

The disallowed expenses should be item 3b.

The allowed expenses should be the total expenses before deduction of items 1a and 1b) less the disallowed expenses mentioned above.

6. Excess-profits tax

The disallowed expenses should be the same as for normal tax (total of items 3a and 3b) unless the bank elects to include tax-exempt securities in invested capital for excess-profits credit and is therefore required to include tax-exempt interest in excess-profits income. In that event, all expenses should be allowed for excess-profits tax.

The allowed expenses should be the same as for normal tax (total expenses minus total of items 3a and 3b), unless the election mentioned above is exercised.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

152 ✓

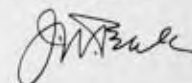
DATE April 9,
1945

TO Secretary Morgenthau
FROM J. W. Pehle

FOR YOUR INFORMATION

The attached excerpt from the Congressional Record for April 5 indicates that Senator McKellar has now inserted into the Record the letter to him of April 2 signed by Chairman Gillette concerning the Treasury Appropriation Bill. You will also note from the attached clipping that Jerry Klutts carried the story of this letter in his column on April 7.

Attachments



CONGRESSIONAL RECORD

Thursday, April 5, 1945

APPROPRIATIONS FOR SURPLUS PROPERTY.
—LECTURE FROM
—SURPLUS PROPERTY BOARD.

Mr. Gillette, Chairman of the Surplus Property Board, has asked the Senate to pass the rider to the Treasury Department's bill which would allow the sale of consumer surplus goods by the Procurement Division. Mr. Gillette said he is confident that the rider is a necessary and it would "add to confusion." Moreover, he said much of the confusion that had been leveled at Treasury's surplus property was on the floor of the Senate. "I am," he said, "nevertheless, in agreement with the recent statement made by the Mead Committee that Treasury is doing as good a job as can be expected under the circumstances." He added they had been forthright in admitting and attempting to correct inevitable mistakes. The Senate approved the rider because it believed it was doing Gillette a favor. Several Senators had gained the impression from remarks made by some former colleagues that Treasury was disposing of goods without the okay of the board.

Surplus Property Board.
 Washington, D. C., April 2, 1945.
 Hon. Kenneth McKellar,
 United States Senate.

Mr. Chairman, the attention has been called to the discussion on the floor of the Senate on March 30 with respect to the appropriation for the surplus property activities of the Procurement Division of the Treasury Department and the amendment thereto which was adopted by the Senate. It seems clear to me that the discussion leading up to the identification and adoption of such amendments was in large part based upon an erroneous impression of statements made by me and repeated in the public press. A newspaper account of what I actually said on page four of the Congressional Record. My statements were directed not at the Treasury Department or any other disposal agency but at the practice of some agencies in the disposal of surplus property without declaration of surplus under the Surplus Property Act of 1944. The Treasury Department is a disposal agency and the jurisdiction of the Surplus Property Board and its disposal of surplus property and subject to such legislation as the Surplus Property Act of 1944. Under the act the Board not only categorizes the disposal agency but has full power to adopt appropriate regulations governing their activities in such detail as the Board should deem it proper to specify to members and the Treasury Department's appropriation is not necessary, serves but to add confusion, and in my opinion should be dismissed.

I think that it is also appropriate for me to say that I believe much of the criticism of the surplus property activities of the Treasury Department on the floor of the Senate on March 30 is unwarranted. I agree with the statements made in the report of the Mead Committee that the Treasury Department's disposal of surplus property is being done as well as can be expected under the circumstances.

They have been forthright in admitting and attempting to correct their administrative mistakes, and are intelligently attempting to solve their problems.

If you have all decided, I would welcome the outcome of this letter to your members, Mr. McKellar.

Very sincerely,

GUY M. GILLETTE,
 Chairman.

The Washington Post

APR 7 - 1945

The Federal Diary

By Jerry Klutas

SURPLUS PROPERTY: Guy M. Gillette, chairman of the Surplus Property Board, has asked the Senate to pass the rider to the Treasury Department's bill which would allow the sale of consumer surplus goods by the Procurement Division. Mr. Gillette said he is confident that the rider is a necessary and it would "add to confusion." Moreover, he said much of the confusion that had been leveled at Treasury's surplus property was on the floor of the Senate. "I am," he said, "nevertheless, in agreement with the recent statement made by the Mead Committee that Treasury is doing as good a job as can be expected under the circumstances." He added they had been forthright in admitting and attempting to correct inevitable mistakes. The Senate approved the rider because it believed it was doing Gillette a favor. Several Senators had gained the impression from remarks made by some former colleagues that Treasury was disposing of goods without the okay of the board.

April 9, 1945

Transmitted herewith are copies of Executive Reports on lend-lease operations as of February 28, 1945.

(Thousands of Dollars)

Procuring Agency	Cumulative to February 28, 1945		
	Allocations	Obligations	Expenditures
War Department	5,414,949	5,214,772	4,909,616
Navy Department	4,315,566	3,398,879	3,104,497
Maritime Commission and War Shipping Admin.	4,149,777	3,880,261	2,269,138
Treasury Department	6,016,032	4,885,477	4,119,913
Department of Agriculture	7,835,993	6,829,350	5,538,244
Other	82,912	27,547	23,401
Total	27,815,229	24,226,286	19,962,609

Foreign Economic Administration
Office of General Counsel
Division of Research and Reports
April 4, 1945

CONFIDENTIAL

Lend-Lease Operations
Executive Report No. 2

STATEMENT OF LEND-LEASE AID

Report as of Feb. 28, 1945
(Thousands of Dollars)

Type of Aid	Cumulative to		Month of	
	Feb. 28, 1945	Jan. 31, 1945	Feb. 1945	Jan. 1945
Goods Transferred	\$33,813,526	\$32,407,334	\$1,406,192	\$997,106
Servicing, Repair of Ships, etc.	544,887	537,917	6,970	5,582
Rental of Ships, Ferrying of Aircraft, etc.	2,921,826	2,873,615	48,211	168,715
Production Facilities in U. S.	637,743	630,689	7,054	2,170
Miscellaneous Expenses	103,727	108,443	Cr. 6,716	1,779
Total Services	4,206,183	4,150,664	55,529	178,246
Total Goods and Services	38,019,709	36,557,998	1,461,721	1,175,352

Data on Goods Transferred include value of goods procured from lend-lease appropriations to the President and to the War and Navy Departments.

Type of Aid	Cumulative to February 28, 1945				
	Br. Empire	China	U.S.S.R.	Other	Total
Goods Transferred	24,284,749	236,146	8,255,339	1,037,292	33,813,526
Servicing, Repair of Ships, etc.	378,683	1,900	113,597	50,707	544,887
Rental of Ships, Ferrying of Aircraft, etc.	2,277,372	15,508	394,229	234,717	2,921,826
Production Facilities in U. S.	-	-	-	-	637,743
Miscellaneous Expenses	50,944	1,224	7,365	40,194	103,727
Total Goods and Services	-	-	-	-	38,019,709

Foreign Economic Administration
Office of General Counsel
Division of Research and Reports
April 4, 1945

1-3000-10-1070

158

CONFIDENTIAL

Lend-Lease Operations
Executive Report No. 3

LEND-LEASE GOODS TRANSFERRED

Report as of Feb. 28, 1945
(Thousands of Dollars)

	Cumulative to February 28, 1945				
	Br. Empire	China	U.S.S.R.	Other	Total
Ordnance (Excl. Ammunition)	\$878,737	\$14,690	\$298,659	\$40,411	\$1,232,497
Ammunition and Components	1,942,016	8,220	445,466	93,890	2,509,592
Aircraft	3,267,135	76,750	1,034,623	178,635	4,557,143
Aircraft Engines, Parts, etc.	1,846,981	24,739	322,438	59,779	2,253,917
Tasks and Parts	2,734,918	1,584	589,707	53,621	3,379,830
Motor Vehicles and Parts	815,298	27,656	938,822	28,383	1,810,159
Watercraft and Parts	2,838,357	447	329,243	257,388	3,425,435
Foodstuffs	3,052,290	3,273	1,432,003	58,786	4,546,352
Other Agric. Products	731,136	543	23,164	403	755,246
Machinery	706,343	13,042	1,080,794	18,404	1,838,583
Metals	1,190,444	13,776	683,329	54,615	1,942,164
Petroleum Products	1,600,399	2,872	80,476	13,385	1,727,132
Miscellaneous Materials and Manufactures	2,630,695	48,554	976,635	179,592	3,835,476
Total	24,284,749	236,146	8,255,339	1,037,292	33,813,526

Foreign Economic Administration
Office of General Counsel
Division of Research and Reports
April 4, 1945

1-3000-10-1070

159

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking via Navy
TO: Secretary of State, Washington
DATED: April 9, 1945
NUMBER: 593

SECRET

The following message from Adler for the Secretary of the Treasury is transmitted.

This message is relative economic situation in China.

- (1) During the month of March there was no evidence of any retarding of the rate of increase on prices. An increase of 33 1/3 % for wholesale prices in Chungking is indicated by one unofficial index.
- (2) During March note issue CN dollars 246,864 million, which represents an increase over February of 9%, while Chungking bank clearings were almost 60%^{up} at CN dollars 1300 billion.
- (3) The revenues, CN dollars were 8,000,000,000 during February; expenditures will exceed CN dollars 40,000,000,000 during March.
- (4) Sales of gold during March spot 21,000 ounces; 488,000 ounces total of six month deposits. The increase in official price of gold to CN dollars 35,000 per ounce effective 29th of March resulted in an increase of the price on the black market to CN dollars 58,000 by the end of the month. During the last week the demand for six month deposits has slackened off to 6,000 ounces daily but it is probable that soon it will pick up again. The short gold position of the Chinese Government is now one and a half million ounces, approximately.

(5) The open

160

-2-

(5) The open market rate for United States currency rose to as high as 750-780 in Chungking, due to the raising of price of gold and the consequent decrease in demand for six month gold deposits, but has steadied off to 700 since that time. In running the rate is 610, the disparity being due to active demand for rupees for buying goods in India to be smuggled over the Lede Road; rupees at 230 are at a premium over the United States dollar once more. Now over 400 are savings certificates and the bond rate. Its February and March allotments have been sold out at 320 by the United Clearing Board.

ATCHESON

LCW
DC/L:LCW:CVT

4-10-45

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Embassy, Ankara
DATED: April 9, 1945
NUMBER: 405

RECENT

Please refer to your cable of April 7, No. 473, which as No. 29 was repeated to London.

The American Embassy in London has been asked by the Department and the War Refugee Board to emphasize with the Foreign Office of Great Britain the desirability of removing German nationals from Turkey, from the standpoint of security. Further, the message states that it would be highly desirable that Jews who have been released from Germany for exchange not be returned to Germany, since such an eventuality would seriously endanger the success of exchanges later on, aside from almost certain hardship to the people concerned.

You are authorized further, in this connection, to renew in your discretion, the assurances which were contained in cable dated February 25, 1944, from the Department, No. 146, and the following in particular:

(b) In maintaining refugees in Turkey, the Board is prepared to render full assistance.

(c) The Board will make every effort to move refugees from Turkey to other locations, should such action become desirable, if the Government of Turkey takes the steps necessary to facilitate the entry of a substantial number of refugees.

If, as and when it becomes evident that the 134 refugees on board the BROTHINGHAM may not be admitted to Palestine, the repetition of such assurances to the Government of Turkey should be made in your discretion and for the purpose of inducing the Government of Turkey to receive them in Turkey pending arrangements for their removal to some other place. The assurances which are contained in (b) above should in your discretion be repeated to the Government of Turkey in the event the Government of Great Britain advises that the 134 refugees in question may be admitted to Palestine when the quota permits. You are requested to do everything possible to secure the admission to Turkey of the 134 refugees aboard

-2- #406, April 9, 1945, from Ankara

the BROTHINGHAM, within the framework of the foregoing.

In case the refugees cannot be admitted to Palestine, the War Refugee Board is consulting UNRRA to make provision for them at an UNRRA control camp.

The assurances given above should not be used in any way to encourage refusal of admission of the group to Palestine by the British, which is the most desirable solution by far.

STETTINER

WRE:GLM: J

Paraphrased:

DC/L:LCW:AN

4-18-45

arrangement. (SECRET W)

US URGENT

AMLEGATION

REYN

1392

The following for McClelland is WNS 490.

Reference your no. 1988 and our telephone conversation of April 6th.

War Department has agreed to sell Board 206,000 United States prisoner of war parcels now in Switzerland, on condition that these parcels are repackaged before delivery by InterCross and that they will be delivered only to concentration camps. War Department has requested American Red Cross to earmark these 206,000 parcels for transfer to War Refugee Board under arrangements being worked out between War Department and the Board.

Board must know at once (repeat at once) whether you can obtain new containers in Switzerland for repackaging. If so, can repackaging be done in sufficient time and in sufficient quantities to utilize all transportation facilities including trucks available for Board relief supplies. Board would be unable to arrange for delivery in Switzerland of containers shipped from United States for many weeks.

In the meantime, in view of your no. 2009 of April 6, Board will bring to attention of War Department that InterCross is of opinion that these parcels could be used as they are with exception of blanking out of markings, changing labels, etc.

STETTINUS

(GHE)

WNS:MMV:ED
4/9/45

WE

SNP

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Stockholm
TO: Secretary of State, Washington
DATED: April 9, 1945 (Rec'd April 10th)
NUMBER: 1326

SECRET

The following message for the War Refugee Board and for the Department is transmitted.

It is in response to message from the Department dated March 27, No. 563.

Conversations have been actively pursued with the Japanese, the Russians and the Swedes reference the release and transport of Rabbinnical group from Shanghai, by Rabbis Jacobson and Wolbe over a period of several months.

At high levels the interest of the Government of Sweden was secured (a personal interest in the matter was taken by the Crown Prince) and there were promises made which are still in effect that the Rabbinnical group would be given a collective Swedish visa and would be received in Sweden and supported there.

The position that release of the Rabbinnical group would be allowed has apparently been consistently taken by the Government of Japan. There has been no quid pro quo so far as is known; it is our understanding that the Japanese insist that, because living conditions and congestion of civilians in Shanghai are practically unmanageable, they would be glad to get rid of the Rabbinnical group. Nevertheless, the Japanese have stated that

- 2 -

outside transportation facilities must be furnished, adding that they have no shipping between Shanghai and Vladivostok and that rail transportation to the Russian border from Shanghai (which is a weeks run) is equally impracticable in view of the fact that the facilities are reserved for military purposes entirely.

The Russians have expressed sympathy with the program but have insisted that it is technically impossible for the Russians to furnish the transportation needed according to Jacobson and Solbe, who state that no Russian vessels are running between Shanghai and Vladivostok which they call a prolonged run and an extremely dangerous one. The Russians state that the Siberian railway is overloaded and that no promises of transportation would be based on realism, furthermore.

There is no shipping belonging to the Swedes in the Shanghai area according to statement made by the Swedes.

It is the belief of the Legation that the problem of moving the Rabbinical group from Shanghai has been examined into thoroughly and that it is a technical impossibility under conditions existing at present. For this reason we believe that nothing can be gained through additional efforts in that direction which would merely retrace the identical steps which have already been taken and in addition it would seem likely that additional obstacles may be caused by the deterioration of Russo-Japanese relations.

JOHNSON

DC/L:LGW:MEW 4/11/45

HAB-1910

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

Ankara

Dated April 9, 1945

Rec'd 8:30 p.m.

Secretary of State,

Washington.

487, April 9, 6 p.m.

The official in the Ministry of Foreign Affairs who is handling the matter (REKING 473, April 7) has just informed me the Turkish Government has decided to allow the 134 Jewish persons on the EMITTENHOLM to land at Istanbul pending the "eventual determination of their fate".

Sent to Department, repeated London as 31.

PACKER

JT

Miss Chauncey (for the Sec'y), Cohn, Dulles, Easton, Hodel, Hutchison, McCormack, O'Dwyer, Files

PARAMETERS OF TELEGRAM RECEIVED

FROM: AMERICAN EMBASSY, LISBON
 TOP: Secretary of State, Washington
 DATED: April 9, 1945
 NUMBER: 748

SECRET

The following message WGE 377 is transmitted.

This message for Charles J. from Sharp, Unitarian 430.

Replying to your No. 263 there have been sent to the Inter-governmental Committee in London by way of the American Minister in Lisbon all particulars regarding 100 Bryan cases and in addition lists have been sent to the Mexican Legation in Lisbon who forwarded them to Mexico to the Ministries of Interior and Foreign Affairs there. 75 single men hiding in Lisbon were included in the list and in addition 22 others imprisoned also 19 families 3 of these being imprisoned; the names of 50 of the most endangered cases can be called if necessary. Advice should be furnished Mexico that their information is not correct; daily men are deported either to death or to imprisonment. I learned yesterday that a friend of President Barrios, Professor Gil Farragut former chief Guadalajara division has now been deported from Spain and put in prison. He was exiled after long imprisonment in Spain and was later imprisoned in Portugal where we gave him assistance. Deportation to Portuguese Devils Island Tarrafal from which few return is being threatened to all politicals. In this emergency if we are not able to receive help from the Unitarians, what effort has been made to secure direct from Bryan, 10,000? Why is there no interest in Portugal if large sums are available in France for their clients who are not in danger as your letter indicates. It is requested that you consult for funds the Perils, Labor League Human Rights, American Federation of Labor and National CIO of War Relief Committees. In this regard an approach is being made to the British by Marks.

CROCKER

DC/L:LCW: GVF

4/10/45

PLAIN

Lisbon

Dated April 9, 1945

Rec'd 8:45 p.m., 10th

Secretary of State

Washington

751, Ninth

WGE 378 JDC 213 FOR LEAVITT FROM HAROLD THORE

Gottfrid Stockholm cabled "Professor Ehrenpreis received letter from H. Grunberg Sofia: 'Präsident des Wirtschaftsrates bei der Juedischen Sektion der Vaterlandischen Front' asking for medical supply and artisan tools. Please advise your point of view and best ways of help and to whom help should be directed in case Swedish Jews will send relief to Bulgaria". We replied: "Glad hear Swedish Jewry considering aid Bulgaria and hope final decision will be affirmative. We giving \$50,000 monthly through representative committee headed by Maurice Marcus Sofia also joint representative now Istanbul awaiting visa enter Bulgaria already sent some medical supplies. Believe best all concerned to keep work centralized therefore urge Swedish Jewry aid through joint channels. If this principle accepted details regarding transfer funds can be arranged later. An inquiring nature committee you mention will send all information soonest". Requesting information concerning committee from Maurice Marcus.

CROCKER

KCM

PARAMETERS OF TELEGRAM SENT

FROM: Secretary of State, Washington
 TO: American Embassy, London
 DATED: April 9, 1945
 NUMBER: 2757

SECRET

U. S. UNCOMM

See your March 28 cable No. 3186. War Refugee Board and Department assume that you have discussed with the Foreign Office Ankara's April 17 cable No. 29. Along these lines, you should stress the desirability from a security standpoint of removing German nationals and officials from Turkey as soon as possible, a view which the Foreign Office presumably shares. Also, it is believed by the Department to be very undesirable that any Jews released from Germany for purpose of exchange be returned ultimately to Germany as such a development, apart from almost certain hardship to persons concerned, would probably imperil seriously pending negotiations, looking toward the departure of Jews from Germany in exchanges, between this Government and the German Government.

STATUTUS

LPO-1007

Distribution of true
 reading only by special
 arrangement. (SECRET 2)

Stockholm

Dated April 9, 1945

Rec'd 6:55 p.m.

Secretary of State,

Washington.

1328, April 9, 7 p.m.

Following telegram has been sent to London 750:

In view of fact that War Refugee Boards recently made available to local World Jewish Congress 40,000 kosher food parcels (half in Goteborg for WER by IRO delegate) for distribution to Jewish concentration camps in Germany through the facilities of the Swedish Red Cross, the program referred to in your 270 of March 23, 8:30 p.m. has lost considerable of its immediate urgency. Because of extremely limited transportation facilities to Germany, local Jewish group is appreciative of the fact that it will be most fortunate if it succeeds in delivering even these 40,000 packages. Local group is very anxious to obtain necessary funds to carry out its purchases for larger program, which supplies however simply will be stockpiled for immediate post war delivery. They are particularly anxious to purchase medical supplies at earliest opportunity since they report local supplies quite short. Food also will be acquired locally, of products indigenous to Sweden. Clothing is anticipated to come from American sources.

Repeated to Department for WER as our 134.

Shipments through commercial channel such as Hootbar were discontinued some time ago and except for limited parcels individually directed through parcel post channels rest of shipments are entirely under auspices of Swedish Red Cross.

JOHNSON

WER

PLAIN

171

Bucharest

Dated April 9, 1946

Rec'd 3:31 a.m., 10th

Secretary of State,

Washington.

254, Ninth

In reply to Department's 161 of March 28 Rumanian law of December 18, 1944 repealing all anti-Jewish measures does not (repeat not) specifically restore citizenship to Jews denationalized by Rumanian decree of January 20, 1938. The Justice Ministry since January has been drafting law restoring citizenship to Jews denationalized under decree of 1938 to apply to Jews at home and abroad. Latest available draft of this law being transmitted by pouch. No (repeat no) Rumanian law denationalized Rumanian citizens of ethnic German origin serving in German army but individual cases of denationalization have been made under Rumanian law of 1939 regulating acquisition and loss of Rumanian citizenship and on Council of Minister reports General law on subject is being drafted by Justice Minister.

BERRY

WHS

172

CABLE TO WIMANT, LONDON, FOR MANN FROM WILLIAM O'DWYER, WAR
REFUGEE BOARD

For your information, following is text of cable received
from McClelland under date of April 6th:

"Arrangements with ICSC for securing trucks to
transport WHS food parcels into Germany for civil
detainees are shaping up as follows: Six Renault
trucks will be available for loading morning April 9
and should depart on April 10. ICSC's Division of
Special Assistance still to relief rapidly worsening
condition of detainees in concentration camps of Wras-
ienburg, Ravensbrueck and Hamburg Neuengamme. If it
proves impossible to dispatch trucks this area they
will be sent Munich region and east.

"Prospects are good getting four to six more
Renaults moving by April 13.

"These French trucks, although new, all re-
quired light overhauling, painting with ICSC insignia,
et cetera, which has delayed their use. With tires
and diesel oil procured for ICSC by Board's efforts
committee hopes make at least four trucks available
also next week for our program.

"Since it is quite possible that only areas of
Munich and to east and northeast thereof will be
accessible in future it is planned to direct relief
shipments by truck mainly to these regions taking in
camps of Dachau, Landsberg Am Lech, Flossenburg and
Hartshausen near Lins, including emergency relief to
evacuated deportees on roads. These shipments would
be apart from any that might go to Luebeck area.

"Recent news from Germany indicates that almost
all internal telephone and telegraph communications
are disrupted so that individual camp commanders are
progressively more isolated. Little or no centralized
SS control, therefore, appears to exist which may tend
to preclude any general last minute extermination of
large group of civil detainees.

"ICSC reported this afternoon that truck convoy
carrying 500 French women and small children, presum-
ably civil detainees, is expected to arrive Drosslgen
tomorrow.

173

- 2 -

"Exact area of camp from which these persons come
is still unknown.

"Herbert Katski arrived this afternoon, April 5
from Paris and will actively work with me on these
WHS programs.

"All further significant developments in situation
will be reported to Board."

For your further information, Board has agreed to purchase
from War Department 206,000 United States prisoner of War par-
cels now in Switzerland for distribution by Intercross to refu-
gees in German concentration camps. Details of transfer now
being worked out between War Department and Board.

THIS IS WHS LONDON CABLE NO. 64

1:15 p.m.
April 9, 1945

174

CABLE TO AMERICAN LEGATION, BERN, FOR MCGILLAND, FROM WAR REFUGEE BOARD

Please deliver the following message to Hans Klee, 1 Rue du Rhone, Geneva, from Abraham Silberschein of World Jewish Congress:

QUOTE PLEASE INFORM WHETHER YOU HAVE SECURED PROTECTIVE DOCUMENTS FOR ABRAHAM, MARGARETHA, ARNOLD, MILLY BRUTY.

THIS IS WHE BERN CABLE NO. 492

1:15 p.m.
April 9, 1945

175

CABLE TO AMERICAN EMBASSY, LISBON, FROM THE WAR REFUGEE BOARD

Please deliver the following message to Harold Trobe from M. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE EARLY LAST YEAR WE PAID AMERICAN REDCROSS TWENTYTHOUSAND DOLLARS FOR MEDICAMENTS POLAND. SUPPLIES NOW GENEVA AND ARRANGEMENTS MADE REDCROSS REPRESENTATIVE ELLIOTT BRINK MOSCOW FOR RECEIPT AND SUPERVISION DISTRIBUTION THROUGH POL REDCROSS AND CENTRAL JEWISH COMMITTEE WARSAW. ADVISE SALLY MATER REQUESTING HIS COOPERATION FRANCIS JAMES REDCROSS REPRESENTATIVE GENEVA FACILITATE SHIPMENT. UNQUOTE

THIS IS WHE LISBON CABLE NO. 167

1:10 p.m.
April 9, 1945

176

CABLE TO AMERICAN CONSULATE, ISTANBUL, FROM THE WAR REFUGEE BOARD

Please deliver the following message to Professor Dr. A. Bustov,
International Rescue and Relief Committee, Istanbul, Kadikoy, Mithurdar
Caddeesi 121, Istanbul, Turkey from Sheba Strunsky of International Rescue
and
an d Relief Committee:

QUOTE PARTLY REPARATING OUR FIVE STOP WILL TWO THOUSAND MONTHLY
BE SUFFICIENT ACCORDING PRESENT NEEDS QUERT REDUCTION NECESSITATED
BY DESTITUTE NEEDS IN FRANCE AND ITALY STOP RECEIVED NEWS YOUR
EXCELLENT WORK FROM KATEKI STOP AWAITING YOUR APPROVAL TO APPROACH
FRANK ELACK TO JOIN TURKISH COMMITTEE STOP BERTHOLD SHOULD CONTACT
MELVIN BLUM OUR WORKER LENT TO USSR A THENS AND EXPLORE WITH BLUM
POSSIBILITIES JOINT IRROGLUMRA SUPPLEMENTARY PROJECT STOP CABLED
BLUM LIKEWISE STOP NO FUNDS FOR WORK IN PALESTINE BUT WILL REFER
CYLASEK TO OTHER AGENCIES HERE. UNQUOTE

THIS IS WHB

1:15 p.m.
April 9, 1945

177

CABLE TO AMERICAN LEGATION, BERN, FOR MOORELLAND, FROM WAR REFUGEE BOARD

Please deliver the following message to Gerhard Riegner, 37 Quai
Wilson, Geneva, from Kurt Grossman of World Jewish Congress:

QUOTE ORISFRANNI BERNSON OUKIEL JERUSALEM REQUESTED HELP
FOR 156 SALONIKA JEWS SUBJECTS OF SPAIN IN BERGENSELSEN.
LAZARE BENVENISTE LAUSANNE WHO IS IN CONTACT WITH RICHARD
LICHTHEIM IN POSSESSION THIS LIST WHICH YOU PLEASE SECURE
AND SENT TO STORCH TO SEND THESE PEOPLE FOODPARCELS, DRAW
SPECIAL ATTENTION CASE ORPHANS MAANAG SIG. AND HENRY
BERGENSELSEN STOP INFORMED THAT 40 JEWS ARRIVED LATELY
SWITZERLAND FROM AUSTRIAN CAMP PLEASE TRY FIND OUT WHETHER
MOSKOWITZ, HELGHA AND BOY AMONGST THESE. UNQUOTE

THIS IS WHB BERN CABLE NO. 491

1:10 p.m.
April 9, 1945

179

CABLE TO AMERICAN EMBASSY, LISBON, FROM WAR REFUGEE BOARD

Please deliver the following message to Harold Trebe from
M. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE ADVISE LINDEN AND SCHWARTZ INNERQUOTE AFTER
RECENT MEETING WITH KISSKLEY WHO RETURNING MOSCOW
WE HAVE REACHED TENTATIVE CONCLUSION TO WHOSE KISSKLEY
THAT WHENEVER DECISION REACHED BY HIS GOVERNMENT GRAD-
UALLY RESETTLING JEWISH COLONISTS CRIMEA WE PREPARED
DISCUSS OUR PARTICIPATION IN PROGRAM. DESPITE OUR
BUDGETARY PROBLEMS WE DESIRE SHOW OUR CONTINUED INTEREST.
REALIZE WHENEVER SUCH PLANS SHOULD MATERIALIZE OUR PRESENT
STEP MAY INVOLVE OUTLAY BETWEEN FIVE HUNDRED THOUSAND AND
ONE MILLION DOLLARS ANNUALLY OVER A PERIOD. WITHOUT
INDICATING ANY FINAL DECISION OUR PART COULDTOU ASKED.
TAIN WHETHER ICA FRIENDS WOULD BE PREPARED SHARE IN SUCH
ENTERPRISE IN EVENT SUCH CRIMEAN PROGRAM MAY EVENTUALLY
EVOLVE. END INNERQUOTE UNQUOTE

THIS IS WEB LISBON CABLE NO. 168

1:10 p.m.
April 9, 1945

179

CABLE TO AMERICAN EMBASSY, LISBON, FROM THE WAR REFUGEE BOARD

Please deliver the following message to Harold Trebe from
M. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE YOUR 367 OUTWARS INFORMATION REGARDING STOCKPILES
OF AMERICAN REDCROSS REDCROSS. UNDERSTAND AMOUNT SHALL
AND NOT AVAILABLE FOR SALE. 200,000 KILOS FOOD RESPECTED
GIVEN TO CONGRESS NOT FROM AMERICAN REDCROSS AND THIS
PRESUMABLY REFERS TO PARCELS OF WAR REFUGEE BOARD WHICH
DESTINED GO THROUGH SWEDISH REDCROSS AND YSCA. UNQUOTE

THIS IS WEB LISBON CABLE NO. 166

1:10 p.m.
April 9, 1945

180

CABLE TO AMERICAN EMBASSY, SOFIA, FROM THE WAR REFUGEE BOARD

Please deliver the following message to Dr. Schwartz from H. A.
Levitt of American Jewish Joint Distribution Committee:

QUOTE: ALTHOUGH FOLLOWING UP WASHINGTON YOUR ENTRY BULGARIA
BULGARIA OUTLOOK UNFAVORABLE FOR IMMEDIATE PERMISSION.
DIFFICULTY NOT WASHINGTON NOT IMMEDIATE COMMISSION. HOWEVER
DOING UTMOST THIS END. UNQUOTE

1:10 p.m.
April 9, 1945

181

CABLE TO AMERICAN LEGATION, STOCKHOLM, FOR OLSEN, FROM WAR REFUGEE BOARD

Please deliver the following message to Mrs. Elise Ottensen-Jensen
John Ericsonsg 6, Stockholm, Sweden from Shoba Strunsky of International
Rescue and Relief Committee:

QUOTE: MUST DISCONTINUE TRANSMISSION OF FUNDS UNLESS WE RECEIVE
REPORTS ON EXPENDITURES AND ACTIVITIES STOP CANNOT UNDERSTAND
WHY REAGSTEIN CANNOT SEND REGULAR MONTHLY LETTER AND STATEMENT
STOP AWAITING YOUR CABLED REPLY. UNQUOTE

THIS IS WAR STOCKHOLM NO. 349

1:10 p.m.
April 9, 1945

182

CABLE TO BAKHIDIAN, MOSCOW, FROM DEPARTMENT AND WAR REFUGEE BOARD

Reference is made to Stockholm's No. 14 of April 4 to you, repeated to the Department as No. 1251 of April 4.

Department and Board would appreciate your giving all possible support to the Swedish Legation in Moscow in its request to the Russian Government for assistance in determining the fate of Raoul Wallenberg, Attaché to the Swedish Legation in Budapest.

The War Refugee Board had special interest in Wallenberg's mission to Hungary because of his outstanding work in protecting Jews and other victims of enemy oppression during the enemy occupation of Hungary.

1:51 p.m.
April 9, 1945

183

CABLE TO AMBASSADOR MENANT AND STONE, FROM DEPARTMENT, FRA, AND WAR REFUGEE BOARD

Reference our 2070 March 17 and your 2965 March 22.

No part of the proposed expansion in our 2070 will originate from the United States, but rather all will be indigenous to Sweden.

The relations between this proposed expansion and the originally approved 100 tons foodstuffs is only this: That proposal outlined represents an expansion of the originally approved program of foodstuffs and in that expansion medical supplies and clothing are proposed for inclusion.

It is our intention that the distribution would be handled and supervised by the Swedish YMCA, which, so far as cables from Sweden indicate, performed with respect to handling and supervision on the initially approved 100 tons foodstuffs. However, we have no objection to participation either on the part of Swedecross or Intercoast. Inasmuch as it has been proposed that the American Jewish Joint Distribution Committee here finance this expanded program, it is our intention that their representative in Stockholm shall be the spokesman for private agency interests in Sweden. Your reference to commercial channels, that is, J. Montemar and A. B. Bankompaniet, does not have our approval. Rather, it is proposed that food parcel distribution to internees in concentration camps in enemy Europe continue to be controlled as in the past by private humanitarian organizations who have demonstrated ability to perform with respect to distribution.

THIS IS THE LONDON CABLE NO. 63

10:00 a.m.
April 9, 1945

SECRET

OPTTEL No. 113

Information received up to 10 a.m., 9th April, 1945.

NAVAL

1. ANTI-SUBMARINE OPERATIONS. 8th. Frigates of 4th Escort Group made promising attack on U-boat S.W. of Ireland (R), while promising attack also made against second U-boat by frigates of 21st Escort Group in same area.

MILITARY

2. WESTERN FRONT. Southern Sector: 1st French Army made steady progress in face stiff opposition Karlsruhe and Heilbronn areas while further north infantry of 7th U.S. Army has cleared Wurzberg while armour of same Army has struck east from Heilbronn and reached Crailsheim.

Central Sector: 1st U.S. Army secured bridgehead over River Weser north of Munden and late reports state Gottingen captured. 9th U.S. Army advancing against Ruhr pocket from North is fighting in Essen and Dortmund, while armour of same Army striking east now within 8 miles Hanover.

Northern Sector: Armoured columns of 2nd British Army crossed River Leine N.W. of Hanover and now 7 miles from Bremen. Further west 1st Canadian Army made good progress with elements 4th Canadian armoured division reaching Meppen and Zutphen being cleared by troops 3rd Canadian Infantry Division. On 7th/8th special air service troops dropped in advance this Army and have gained their first objective.

3. EASTERN FRONT. Northern Sector: 8th. Assault on fortress city of Königsberg launched when troops advancing from N.W. and south linked up thus encircling considerable body of German troops defending city, while at same time main station and port captured with 15,000 prisoners taken during day.

Southern Sector: Further progress made N.W. Bratislava where bridgeheads won over River Morava. South of Danube good progress also made N.W. and west Vienna while fighting continues in southern and western parts of city where arsenal and three main railway stations taken. Further south gains of 12 miles on 30 mile front made in area S.W. Winer Neustadt.

4. ITALY. In Adriatic sector troops of 8th Army made further progress between Lake Comacchio and River Reno where 275 P.W. captured. In West coast sector U.S. troops captured Montignoso.

5. BURMA. Central Sector: Further 10 mile advance made south Meiktila and our troops now 7 miles S.W. Pyawbwe.

AIR

6. WESTERN FRONT. 7th. Further reports state additional 435 tactical aircraft (3 missing) destroyed 49 enemy aircraft on ground and over 600 road and rail vehicles.

7th/8th. 209 Bomber Command aircraft despatched (1 missing): 187 against oil distillation plant Molbis (south Leipzig) and 22 bomber support, when weather clear and bombing concentrated. Same night 46 Stirlings dropped paratroops Assen-Meppel area.

8th. 1184 U.S. escorted heavy bombers (10 bombers and 1 fighter outstanding) dropped 1493 tons rail centres Central Germany, 464 tons on 3 airfields Nuremberg area, 656 tons on 2 ordnance depots and 244 tons other targets, when all attacks except one made visually and reported successful with no enemy air opposition.

SHAEP (Air). 801 medium bombers (9 missing) attacked communications and oil targets while 2073 fighters and fighter bombers (9 missing) operated Northern and Central sectors destroying or damaging 800 road and rail vehicles while inflicting enemy casualties 35,413 in combat and 60,374 on ground. Air transport sorties 283 flown.

7. MEDITERRANEAN. 7th. 668 U.S. heavy bombers despatched, but majority returned early due to weather, while remainder dropped 289 tons on 5 alternative railway targets. 629 tactical aircraft operated whole front cutting railway lines 53 places and destroying 7 oil cisterns.

April 10, 1945
9:28 A. M.

184-A

Mr. Dan Bell: Good morning.

HMJr: Can the people hear me?

B: Yes, they can hear you.

HMJr: And I'm making a record?

B: Yes, sir, you are making arecord so be careful what you say.

HMJr: What?

B: And be careful what you say

HMJr: (laughs) All right.

B: It will be held against you.

HMJr: Well, now, Dan, I've got a flood of messages here before me, see?

B: All right.

HMJr: And in reply to this request of the War Department to send some people over to run down German funds...

B: Yes.

HMJr: I definitely do not want to send Harold Glasser.

B: All right, I told Harry that this morning.

HMJr: I don't want to argue about it.

B: All right, sir.

HMJr: I want to suggest that Orvis Schmidt go.

B: All right, we already have that under.. consideration.

HMJr: Yeah, now I have, what I think is a brilliant suggestion for a man to head that section. I mean, whatever you call it, the Finance....

B: The Finance section.

HMJr: Yeah.

B: Be over all, eh?

- 2 -

184-B

HMJr: Be over all.

B: All right.

HMJr: I would like to suggest Milo Perkins.

B: Milo Perkins.

HMJr: Yeah. I think he would do a bang-up job for us. Now I'll wait and see what the crowd thinks.

B: Just a moment. (Talks aside) Harry and Coe think he would be good, but they don't think he would go.

HMJr: I think he would go. I don't think anybody can refuse this.

B: Well, I don't know why they think he won't go. Let's see....you got another job in mind?

HMJr: Nobody can refuse to go.

B: Just a moment..(talks aside) Well, they still think he wouldn't go that they have other jobs in mind for him.

HMJr: Other jobs?

B: (talks aside) Oh, I thought you said....wait a minute. Well, Harry says there are several reasons why he wouldn't go. He's quite certain that he will not go.

HMJr: Well, let Milo Perkins decide that.

B: All right.

HMJr: Hello?

B: Yes, all right.

HMJr: And you people this morning get in touch with him and put it up to him.

B: All right.

HMJr: See?

B: Yes, sir.

HMJr: Do they agree that if he would go he would be a good man?

- 3 -

184-C

B: Yes, they all do.

HMJr: What?

B: Herbert doesn't.

HMJr: Well, what?

B: Herbert doesn't think that he would be a good man, most of the others do.

HMJr: What's Herbert's objection?

B: And Luxford thinks he's a cartel man.

HMJr: A cartel man?

B: Yes.

HMJr: Milo Perkins?

B: Yes, he wrote an article on it. Personally I don't know him very well. I was never impressed when I was in the Budget and he was in the Agriculture, but then I wouldn't hold that against him because

HMJr: Well, am I not right that he more or less spearheaded this thing when we were trying to get Sweden to stop sending ball-bearings and that stuff?

B: That I don't know(aside) Was he? Lauch Currie was the head of that, they say - spearheaded.

HMJr: Well, wasn't Milo Perkins very active?

B: He played a minor part. (Laughs) (Group laughter) (He was on the other side of the fence entirely)

HMJr: Well, then why do they think he is good?

B: Wait a minute. (The head financial section, yeah, head of the financial section the Secretary is suggesting him for). Coe said we have no basis for believing that he would agree with our views on Germany.

HMJr: Well, you had better find out.

B: And, the only way you can find out is to send for him.

HMJr: Well, we can find out. Hello?

B: Yes. DuBois says the one thing that he knows is the article he wrote in Harper's which is against him.

- 4 -

184-D

HMJr: On cartels.

B: On cartels, yes.

HMJr: Well, we don't want a cartel man.

B: No.

HMJr: Well, talk it over amongst yourselves.

B: All right.

HMJr: Now, hello?

B: Yes.

HMJr: Dan, I got this letter from Robert McConnell. Hello?

B: Yes, I haven't seen it.

HMJr: Well, he wrote me asking my advice, you see?

B: Oh, yes. He did talk to me, however, about it.

HMJr: Now, what I'd like him to do is ... let him read this draft which the boys sent down to me on reparations. Hello?

B: Yes.

HMJr: And I want to know how McConnell feels about that. See?

B: All right.

HMJr: But if the reparations draft, see?

B: I get it.

HMJr: And tell McConnell that if Mrs. Morgenthau continues well for another 24 hours, I will be coming up tomorrow.

B: All right.

HMJr: And whether he would mind waiting until I got up there.

B: I'm sure he would.

HMJr: And that I then would like to sit down and talk to him. But if he will go along with us on that reparations draft, and that is good a thing as any to take anybody's temperature, let him read that...

- 5 -

184-E

B: (laughs)

HMJr: And ... you know, riding in this morning with Mrs. Lehman I got an idea. I think that there would be some women in this country that we could send over there who have lost sons and feel the way Mrs. Lehman does. We never think in terms of women. Now the Army..... the State Department, for instance, is using the wife of General McNair. Hello?

B: Yes.

HMJr: And they are using her. There must be other people like that because the mothers of America, you don't have to tell them about being tough on Germany.

B: You mean in this over-all set up?

HMJr: Yes. I just don't I can't understand why they don't bring some women in. I mean, take a woman like Mrs. McNair, for instance. There are other women like that. I don't know, for instance, who General Rose's wife is, who was shot there in Germany the other day.

B: No, I don't know either. They come from out West somewhere.

HMJr: What?

B: Come from out in the Middle West someplace, I don't know.

HMJr: Denver. But I would think seriously of asking the Army about the wives of some of these Generals--- who they are, how much education they have. Now you take Mrs. George Patton, she's wonderful. We have used some of these women in War Bonds. There are so few people in the country who feel the way we do about Germany, I think we have got to get a couple of women on that plane to come in and sit in on these things.

B: Do you suggest Mrs. George Patton?

HMJr: Well, I was mentioning her because she was very good. Mrs. Mark Clark...

B: Mrs. Mark Clark has been ...

HMJr: Hello?

B: ... she's been in the limelight.

- 6 -

184-F

HMJr: I say, I'm just mentioning some of these people. I'm thinking more of some widow of some General. Now there are nine Generals who have been killed, and of those certainly.... hello?

B: ... amongst them you can find some University woman, or some woman that would just tell some of these appeasers where to get off. I wish you could hear Mrs. Lehman - she'd make even Joe DuBois pale.

B: (Laughs)

HMJr: Hello?

B: Yeah.

HMJr: She saw some German prisoners this morning working here, fat as hogs, working around the hospital, and the guard with his back turned smoking a cigarette.

B: Well, it hasn't been thought of here, but we might look at it.

HMJr: What? What are you saying?

B: I say we might look at it. It hasn't been thought of apparently here...

HMJr: I think nine Generals have died, and amongst their wives there might be one or two very good women.

B: All right, we'll take a look at it.

HMJr: They need the money and everything else. What?

B: All right, we'll take a look at it and see if there are any available.

HMJr: They'll have some feelings on this thing.

B: All right, sir.

HMJr: And, now, let me talk to Harry a minute.

B: Harry ...

Mr. Harry
White: Hello.

HMJr: Harry?

- 7 -

184-G

W: Good morning, sir.

HMJr: How are you?

W: Fine, thank you.

HMJr: Good. I.... with the hope that Mrs. Morgenthau will be well enough, I hope to get back Wednesday nite.

W: That's fine.

HMJr: And with that in mind I would kind of just like to mark time on this Bretton Woods business until I can get to grip with you fellows.

W: Well, that suits me, I don't know whether it suits the other men.

HMJr: Well, I know it suits Bell.

W: Oh, it does, well, now it's o.k.

HMJr: Hello?

W: All right.

HMJr: I talked to Bell last nite and the only thing he said he'd feel happy if he could tell Eccles what's going on.

W: Yeah, I think that myself, I think that he should do that too.

HMJr: And I told him because Are you fellows sure that we've got the votes in the committee?

W: Well, I think a recheck would be essential before that definite statement could be made.

HMJr: Supposing that be done this week...

W: I think it could be done this week.

HMJr: If it could be done today or tomorrow.

W: Well, that I don't know. I don't know how many there are, but we can find out. We can....

HMJr: Suppose you try and find out.

W: Right.

- 8 -

184-H

HMJr: And, because I'd be influenced.... If we have the vote. Well, you saw my telegram.

W: Yes.

HMJr: I don't-- by God, the way I feel, if we are going to do any compromising let's do it with our friends, like CED.

W: Yeah.

HMJr: Hello?

W: Yeah, I'm listening.

HMJr: And, so, I'll know tomorrow morning. They want one more 24 hours, you see.

W: Well, we can find out what we can today. Would you suggest using Hannegan to find out, too, merely to bring him in the picture, or do you want us to work through Spence?

HMJr: I would do it through Spence.

W: What?

HMJr: Through Spence.

W: O.K.

HMJr: Yeah. I told Bell last night and he's agreed that just let Burgess cool his heels a little bit. Hello?

W: Yes.

HMJr: The first thing you know another one of these fellows will shoot themselves.

W: (Laughs) Yeah, I'm having.... yeah, we are checking up on where all the boys are all the time.

HMJr: Yes. Now one other thing- this is for everybody. I want to ask Bell and you and Coo this question, "Where the hell is FEA? Why did they dump all this stuff in the Treasury's lap?"

W: Which stuff?

HMJr: Well, there's this stuff of setting up these committees under General Clay.

- 9 -

184-I

W: Well, I don't know about it so I'll ask Coe. (Frank, did you hear what the Secretary said?) I'll put Frank Coe on the line, because I don't know what you refer to, Mr. Secretary.

HMJr: All right.

Mr. Frank

Coe: Hello.

HMJr: Frank.

C: Yes.

HMJr: In this business, in all this stuff that General Hildring and General Clay are asking us to do - after all, FEA is supposed to have a foreign economic section with about one hundred and twenty-five people in it studying Germany. Now General Clay and General Hildring pay me the compliment of asking me to do this and to do that, but where the hell is Crowley and all of them?

C: Well, this is in connection with the financial and property section of the Army. That is under Colonel Bernstein, and they frankly say they cannot get trained financial men.

HMJr: Now that isn't it...from the telephone conversation I've had with Bell, I don't see where FEA is doing anything.

C: Well, they are planning to --- they've got about eight, nine, or ten other economic sections of the Control Commission for Germany, and they are planning to feed in civilian personnel into some of those sections. There's a committee meeting with Hildring and the civilian agencies line up their people through that. Now the Army, as in the case of Italy, first doesn't want people, and then gradually as their men in the field scream they start asking for more help. But the other agencies are providing personnel but for different kinds of work.

HMJr: Well,...

C: By the way, I just heard from State that Lew Douglas is going with General Clay.

HMJr: Bell knows all about it, he talked to Lew Douglas.

C: He talked with him?

HMJr: Yes.

- 10 -

184-J

C: Well, I hear that Douglas says that the way the policies are going that he won't have any industries to run. He is very disturbed.

HMJr: Well, the funniest one I read was by I.M. Stone...

C: Yeah.

HMJr: He asked... he said that when Leon Henderson was back, he said, "Morgenthau is having his way," because everywhere he went in Germany he just saw chaos.

C: (Laughs) Yes, that's all over.

HMJr: What?

C: I also hear that Gramey Howard of General Motors is going.

HMJr: Who?

C: Gramey Howard. He's the Colonel who's been in charge in London.

HMJr: Oh. He's the fellow -- there was some story about the truck - I forget - leave the trucks over there so that they can sell new trucks.

C: Yeah, I think our boys --- I think Taylor and our people had some trouble with his section over there very definitely.

HMJr: Now, here's another thing --- I wrote down two names, Milo Perkins, he may not be good, but you can check it.

C: Yes.

HMJr: The other man I would like to bring in as an advisor to the Treasury and get him into this picture somehow or other is President Conant.

C: President Conant.

HMJr: Of Harvard. Hello?

C: Yes.

HMJr: I'd love to get him down here in some way so that while this thing at this end is in a formative period, that he would be there as an advisor to me.

- 11 -

184-K

C: Be here as an advisor to you.

HMJr: Personally, yep.

C: Yeah.

HMJr: I wish the boys would think about it.

C: We'll talk that over.

HMJr: There's no question where he stands. Hello?

C: I haven't followed --- I haven't followed him.

HMJr: Well, read his article in Life of two weeks ago.

C: All right.

HMJr: Read his article. And he has a wonderful position in this country.

C: That's right.

HMJr: Read his article of two weeks ago.

C: We will get it and pass it around.

HMJr: Its the same as his speech. This speech was circulated about two months ago, but we could use somebody like that.

C: Well, we will discuss it.

HMJr: Now, how are you getting along over there with the State Department?

C: We are about half way through the Economic directive over there, and we sent you last nite - did you get it? a report on how those meetings are going.

HMJr: Wait a minute, I got everything here. Just a second, I don't think I

C: Maybe you have too much down there.

HMJr: Well, I got too much is right, but it is all right. Wait a minute.

C: Well, in

HMJr: Wait a minute, wait a minute -- I've got the one on reparations and

- 12 -

184-L

C: The reparations is going good.

HMJr: Now, I've got that one. It says here, "As previously reported, the document - in a form acceptable to the Treasury is revised and ready for the Clayton Committee. Financial Directive..."

C: That's right.

HMJr: Is that it?

C: That's it.

HMJr: I got that.

C: That's the report up to date.

HMJr: Now you tell your friend White he sent me one on Belgium and Dutch lend-lease.

C: Yes.

HMJr: I'm not going to worry about that until I get back.

C: All right, then, we will just proceed as indicated there.

HMJr: Well, on the assumption that I will be back in a couple of days. Can that wait?

C: Yes, sir.

HMJr: What?

C: Yes, sir.

HMJr: Isn't that really --- are you doing that or is White doing it?

C: I'm doing that.

HMJr: White ought not to be doing it.

C: No, he isn't.

HMJr: He's got all he can do on Bretton Woods. Well, did Clayton get in on any of this?

C: Yes, Clayton has been in on this both on the Belgium and on the Dutch lend-lease, and he is having a change of heart. He said that Connally spoke to him very seriously

- 13 -

184-M

0 C:(Cont) about the JC business and he is getting worried about it. Also, as you may notice this morning, Vandenburg is out asking the Administration for a full statement of what they intend to do financially around the world -- all their commitments.

HMJr: No, all we get down here is the columnists.

C: (laughs)

HMJr: All right.

C: All right.

HMJr: Now, if Mrs. Klotz goes back to her office, I'd like to talk to her.

C: All right, goodbye.

HMJr: Bye.

0

8

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