

DIARY

Book 803

December 15-18, 1944

	Book	Page
Alk, Isadore G.		
See Appointments and Resignations		
Appointments and Resignations		
Alk, Isadore G.: Appointed Chief Counsel of Foreign Funds Control - 12/16/44.....	803	153
Surplus Property, Disposal of		
Rosenthal, Morris:		
Lewisohn (Sam)-HMJr conversation concerning - 12/15/44.....		11
Riegelman (Charles)-HMJr conversation; Rosenthal present - 12/15/44.....		34, 229
HMJr-Rosenthal conversation - 12/19/44:		
See Book 804, page 3		
Strasser (Arthur L.)-HMJr conversation - 12/19/44:		
Book 804, page 6		
Correspondence - exchange of - 12/21/44: Book 804, page 183		
Australia		
See Lend-Lease: United Kingdom - Phase 2 (British Dominions)		

British Dominions		
See Lend-Lease: United Kingdom - Phase 2		
Business Conditions		
Haas memorandum on situation, week ending December 16, 1944 - 12/18/44.....		269
Byers, Cary		
See Post-War Planning: Germany		

Elkus, Abram I.		
See Post-War Planning: Germany		

Financing, Government		
Non-essential Expenditures, Committee on Reduction of: Additional report and Treasury comment thereon - 12/15/44.....		67
War Savings Bonds: 6th War Loan Drive		
Amount by which quotas will be exceeded discussed by HMJr and Gamble - 12/15/44.....		17
Secretary's Office - percentage of quotas reviewed - 12/15/44.....		56
a) HMJr-Bartelt conversation - 12/16/44.....		130

	Book	Page
Germany		
See Post-War Planning		
Glasser, Harold		
See Italy		

Harper's Magazine		
See Post-War Planning: Germany		

India		
See Lend-Lease: United Kingdom - Phase 2 (British Dominions)		
Italy		
Glasser, Harold: HMJr wants report on last trip before he		
OK's another one - 12/18/44.....	803	209, 218
a) Glasser report as of December 13, 1944.....		234, 236

Lend-Lease		
United Kingdom		
Phase 2: British Dominions		
Reciprocal aid for U.S. armed forces from Australia,		
New Zealand, and India discussed in Treasury-State-		
Foreign Economic Administration correspondence -		
12/16/44.....		117
a) Copy of Acheson (State Department) letter		
dated November 25, 1944, and copies of letters		
from India Supply Mission, New Zealand Legation,		
and Australian Government.....		118
b) Crowley's agreement - 12/29/44: See Book 805,		
page 199		
Gold and dollar holdings as of October 31, 1944 -		
12/18/44.....		313

<u>Nation, The</u>		
See Taxation		
New Zealand		
See Lend-Lease: United Kingdom - Phase 2 (British Dominions)		
Non-essential Expenditures, Committee on Reduction of		
See Financing, Government		

	Book	Page
Packard Motor Car Company		
See United Kingdom		
Post-War Planning		
Germany		
War Department to keep HMJr informed - 12/16/44.....	803	125
Byers, Cary: Disquieting article in Harper's Magazine for December sent to HMJr by Abram I. Elkus - 12/16/44.....		161
a) Reply to Elkus - 12/22/44: See Book 804, page 309		
State Department report on FDR's plans to date - 12/18/44.....		314
State Department memorandum giving resume of developments in planning for occupation - 12/18/44.....		316
a) List of approved directives transmitted to American representative on European Advisory Commission.....		318
1) FDR: "Come back industrially to meet their own needs but not to do any exporting" - HMJr disturbed; discusses with Stettinius - 12/19/44: Book 804, page 10		
State Department: Luxford and DuBois report after looking over directives - 12/20/44: Book 804, page 96		
a) Reconsideration of entire situation, now that new group heads State, suggested by Luxford		
b) Revised directive discussed: Book 804, page 98		
Surplus Property, Disposal of: See Appointments and Resignations (Rosenthal, Morris)		
Public Relations, Division of		
HMJr asks Administrative Assistant through whom Shaeffer, etc., report - 12/18/44.....		249

Rosenthal, Morris
 See Appointments and Resignations: Surplus Property, Disposal of

Secretary, Office of
 See Financing, Government: War Savings Bonds
 (6th War Loan Drive)

State Department
 For Treasury-State relations see Treasury Department
 See also Post-War Planning: Germany

Sullivan, John L.
 Basil O'Connor-HMJr conversation concerning possible trip into
 Poland for Red Cross - 12/18/44..... 262

Surplus Property, Disposal of
 See Appointments and Resignations: Rosenthal, Morris

Switzerland
 See War Refugee Board

- T -

	Book	Page
Taxation		
Cost of collection - Bell memorandum - 12/15/44.....	803	66
<u>Nation, The</u> (See also Book 795): Further discussion by O'Connell at 9:30 meeting - 12/18/44.....		213
a) Miss Kirchwey-HMJr conversation - 12/18/44.....		223
Treasury Department		
Treasury-State Relations: Stettinius to send State Department man "to brief" HMJr on international situation once a week - 12/15/44.....		25

- U -

United Kingdom		
See also Lend-Lease		
Packard plant sold; to whom should money be turned over?: Discussion by HMJr and White - 12/16/44.....		111

- V -

Veterans Administration		
Rehabilitation of Disabled Veterans: Treasury committee to cooperate - discussion at 9:30 meeting - 12/18/44...		204

- W -

War Department		
See Post-War Planning: Germany		
War Refugee Board		
Switzerland: "Spectacular achievements" reported by Board representative - 12/16/44.....		175
War Savings Bonds		
See Financing, Government		

December 15, 1944
9:26 a.m.

HMJr: Hello.

Operator: Colonel McCarthy.

HMJr: Hello.

Colonel McCarthy: Good morning, Mr. Secretary.

HMJr: How are you?

M: Fine, sir.

HMJr: Colonel, I'm giving a little talk Saturday night at 8:15 on the radio.

M: Yes, sir.

HMJr: It's the end of the War Bond Drive.

M: Yes, sir.

HMJr: But I'm sort of directing the talk to the man overseas with the idea of telling them that we at home -- that all this talk that we're not -- you know -- on the home front doing anything; that we have as evidence of the fact that we're going over the top on the Sixth War Loan.

M: Yes, sir.

HMJr: Now, I'd like to send it over to you, see?

M: Yes, sir.

HMJr: And if you like it or if you have any suggestions or criticism, I want them.

M: Yes, sir.

HMJr: And in the second place, if the Army likes it; if they think that it would be good for the men overseas to know about this, what can you do to merchandise it?

M: I see.

HMJr: See?

M: Yes, sir. Let me -- let me take a look at it first.

HMJr: Yes.

M: If I get some idea about length and content and so on, I will probably get a much better idea then about merchandising.

HMJr: Right. Well, it will be a couple of hours before I get it over there.

M: Fine, sir.

HMJr: But

M: If-whomever brings it over, Mr. Secretary, will deliver it to me personally, I'll address myself to it right away.

HMJr: Of course, we wanted to get it out this afternoon for release for Sunday morning, you see?

M: I understand, sir.

HMJr: So -- but I mean as far as the papers at home are concerned, but I just don't know what the Army could do if it liked something like this to get it to the men. I don't know what the facilities are.

M: Well, I think we have ways of doing that all right, but I -- as I say, I could speak better about it after I've read it.

HMJr: That's fair.

M: If I may, I'll read it and call you right back.

HMJr: You look at the package and you see if you like it.

M: Fine, Mr. Secretary.

HMJr: Thank you.

M: Thank you, sir.

December 15, 1944,
9:46 a.m.

HMJr: Hello.

Harry
Hopkins: Hello, Henry.

HMJr: Speaking.

H: Two things.

HMJr: Right.

H: Have you ever seen that dollar bill that the Germans or the Vichy-ites got out with your name on it?

HMJr: Oh, yeah.

H: You've got that one?

HMJr: Yep.

H: I was going to send it over as a souvenir if you don't have it.

HMJr: No, I not only

H: I think you should be greatly complimented. God damn, they never did that good for me.

HMJr: (Laughs) You mean the one that splits open in the middle?

H: Yeah.

HMJr: Yeah.

H: And the second thing: I was talking to Warm Springs yesterday.

HMJr: Yeah.

H: And he got to talking about this Social Security tax business.

HMJr: Oh, yes.

H: And I asked him what he was going to do with it.

HMJr: Yeah.

H: He said, "I think I'm going to veto it."

HMJr: Yeah.

- 2 -

H: "I'm going to decide in the morning."

HMJr: Yeah.

H: I haven't been in on it. I don't know what you think about it. He sounded a little "wishy-washy" about it. I think he began to talk to me about his previous statements on the same subjects.

HMJr: Yeah.

H: And I gathered he was thinking of keeping his own record clear....

HMJr: Well, what we

H: rather than the merits of it.

HMJr: Well, as I -- no -- Fred Vinson and the Treasury recommended that he sign it.

H: Yeah.

HMJr: Hello?

H: Yeah.

HMJr: And Labor and McNutt recommended that he veto it, and we suggested that in signing it he say that they really have a fresh look at the whole thing.

H: Yeah.

HMJr: The trouble of his veto is that both the House and the Senate passed it by more than two-thirds.

H: Well, he knows they're going to pass it over his veto.

HMJr: But we felt that if he would say that we really have to have a real fresh look at this whole thing.

H: Well, it does need that, doesn't it?

HMJr: Very, very much.

H: Yeah.

HMJr: And that right now overriding a Presidential veto at this time, well, I think on the home front it would be bad.

H: Yeah. Well, my guess is, Henry, that he's going to veto it.

HMJr: Well

H: Unless you get really interested in it.

HMJr: No, I'm not going

H: You've already told him what you think.

HMJr: Yes, we sent it down with the Bureau of the Budget. It all went down in one package.

H: Yeah.

HMJr: Because the Hill are very anxious -- all they want to know is just what they're going to do because if there's going to be a pocket veto, they're going to stay here, you see.

H: Yeah. Oh, I don't think he'd do that, would he?

HMJr: Well, I don't know.

H: That's pretty tough on Congress.

HMJr: Yeah, but they're not going to let him get away with it and I've told him that.

H: Yeah.

HMJr: So they'll just sit here.

H: Yeah. Yeah.

HMJr: And all they're asking is just to tell him what they're going to do.

H: Yeah.

HMJr: And I -- I can't get excited about it.

H: Yeah.

HMJr: Don't you think right now an overriding veto is

H: Yeah, I do.

HMJr: Particularly -- I don't think our side presented a very good case.

H: No. No.

HMJr: What?

H: Yeah. I think the political effect of overriding the President is bad for him in the world picture right now. The world won't understand it, you know.

HMJr: No, I -- I

H: Because they'll just say Congress is giving the President a beating.

HMJr: It would be -- you know how we feel here -- without knowing all the inside facts, if Churchill or

H: That's right.

HMJr: got defeated on any of those things that he's fooling around with. What?

H: Yeah.

HMJr: We'd say, "Well, he's slipping".

H: Yeah. What do the -- what do the Senate Leaders want him to do?

HMJr: I've only heard from Rayburn and Bob Doughton. I haven't heard from the Senate side.

H: They'd like to have him sign it?

HMJr: No, Rayburn said he doesn't care just as long as they know what he's going to do.

H: Yeah.

HMJr: He said, if he -- he wasn't there -- if he'd have been there, he'd have voted against it.

H: Yeah.

HMJr: But he says that they tell him they've got the votes and

H: Yeah.

HMJr: they'll just override it.

H: All right, Henry.

HMJr: But the point is, you know, if they went home then he could have a pocket veto.

H: Yeah.

HMJr: And they're not going to let him get away with it.

H: Yeah.

HMJr: See?

H: All right, old boy.

HMJr: Are we apart?

H: No. No. I'd just like to think a while about the political effect on Roosevelt....

HMJr: Well, I

H: in the world scene and the domestic -- particularly the world scene.

HMJr: I think it would be very bad, Harry, and we did not do a good job up there.

H: Yeah. Yeah. All right, old boy. Bye.

CONFIDENTIAL

8

December 15, 1944

Dear Harry:

Regarding the Social Security Bill now before the President, there is attached hereto a copy of my letter to the Budget, recommending that the President approve the bill and issue a statement. A copy of the proposed statement is also attached.

Sincerely yours,

(Signed) Henry

Honorable Harry Hopkins
The White House

DWB:NLE

CONFIDENTIAL

December 12, 1944

Sir:

Your office has requested the views of this Department on enrolled enactment of H.R. 5564, "To fix the rate of tax under the Federal Insurance Contributions Act on employer and employees for the calendar year 1945."

It is recommended that the enrolled enactment be approved by the President. It is further recommended that a statement be issued by the President to accompany his approval of the measure. A suggested draft of statement for that purpose is enclosed.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Director,
Bureau of the Budget.

CONFIDENTIAL

10

I have today signed H. R. 5564, a bill "To fix the rate of tax under the Federal Insurance Contributions Act on employer and employees for the calendar year 1945."

This bill provides for continuing for 1945 the present contribution rate of 1 percent on employers and employees under the old-age and survivors' insurance system, instead of permitting the scheduled increase to 2 percent to become effective January 1, 1945.

In my opinion the scheduled increases should have been permitted to go into effect. I defer to the opinion of the Congress only as a temporary disposition of the matter pending a thorough study both of contributions and of benefits under the Act.

The contributions now being paid by employer and employee are not sufficient to finance the benefits provided. Successive postponements have increased the deficit and appear to make inevitable substantial future contributions from the General Fund.

The provisions of this bill are concerned solely with the rate of contributions and in no way modify the benefits provided by present law. I have consistently urged a substantial broadening of the social security program to the Congress, and have been pleased to note that in the Congressional debates on this bill the necessity for such action was generally recognized.

The consideration of the benefits to be provided under a revised and expanded social security program, as well as the apparent necessity for future General Fund contributions, requires a thorough review of the methods of financing. In view of the prospect of early consideration of these matters I do not at this time press further for an increase in the present rate of contributions.

December 15, 1944
10:45 a.m.

HMJr: Yes.

Operator: Go ahead.

HMJr: Yes.

Operator: Are you ready?

Sam
Lewisohn's
Operator: Yes.

Operator: The Secretary is on the wire.

Other
Operator: Okay, he's waiting.

Operator: Hello, Mr. Morgenthau.

HMJr: Hello.

Sam
Lewisohn: Hello, Henry.

HMJr: Yes, Sam.

L: I made inquiries about that man and they say he's tops.

HMJr: They say he's what?

L: Tops.

HMJr: Tops.

L: He's -- he's -- you know, he was the head of that Stein, Hall & Company.

HMJr: Well, I -- I don't know what Stein, Hall is.

L: What?

HMJr: I don't know the company.

L: Well, it's -- it's a very -- a very big export and import company.

HMJr: Yes.

L: It represents the -- a very big Dutch concern called the Hollanders of (Name of place inaudible) and Amsterdam, and they handled sisal and tapioca and tea.

HMJr: I see.

L: And they've done a great business in -- in -- in those commodities.

HMJr: Yeah.

L: The fellow is, they say, a very brilliant man in his line.

HMJr: Yeah.

L: And he was loaned by them to go down to Washington, as you know.

HMJr: Yeah.

L: And he's a very able -- they say -- this is what I get -- a competent and reliable fellow. There's no question about his integrity. It's tops.

HMJr: Good.

L: His business judgment is good.

HMJr: Good.

L: And I understand -- they think he gets along very well with people. They say so.

HMJr: They do?

L: Hello?

HMJr: Yes.

L: But they seem to think he's a very brilliant fellow.

HMJr: Well, that sounds very good, doesn't it?

L: Yeah. He's back with Stein, Hall now you know.

HMJr: Yeah.

- 3 -

L: He was -- he said he was loaned to Economic Warfare and then he came back to Stein, Hall.

HMJr: Yeah.

L: And they say he's a very able business man.

HMJr: Good.

L: One of the best -- six best men in the country, they said, in respect to foreign trade.

HMJr: Good.

L: So that's that.

HMJr: But

L: Now, Henry.

HMJr: Yeah.

L: When it comes -- I find -- I've just got the information -- we looked into La Hoya on the coast and that won't do because it's too cold in March.

HMJr: Oh.

L: So what we'll have to do is -- if you find that Ellie wants to go ahead with it, is to see what we -- whether we can get accommodations down at Tucson.

HMJr: I see.

L: At the Arizona Inn.

HMJr: Oh, I wouldn't want to go there, Sam.

L: You would not?

HMJr: No, that's right in the town.

L: That's right in the town. Now, what you want to do is to see if we can get some place on some ranch, I suppose.

- 4 -

HMJr: Well look, Sam, I really haven't had time and I told Elinor of your talk. Let me talk a little bit to her and see what she'd like.

L: That's what I want you to do.

HMJr: And then -- it's on account of her legs -- it's a question of whether she's going to be able to ride horseback.

L: Yeah.

HMJr: And if she can't ride, there's no use going to a ranch.

L: No, that's it.

HMJr: See.

L: That's the trouble.

HMJr: Well, what I think you should do is that you and Margaret ought to make your own reservations and then -- so that you'll have something. You see?

L: Yeah.

HMJr: Not just wait for us, but -- so that -- but in the meantime -- of course, the kind of place I'd like to take Elinor -- I don't know if this would interest you, but I think it would interest her. And that is: I'd like to go to Cuba.

L: You'd like to go to Cuba?

HMJr: Yeah.

L: Well, I'll tell you, the only trouble is we're going out to Arizona.

HMJr: Oh. Oh.

L: And we're going -- I'm going out to the mines there.

HMJr: Oh, that's right.

L: And I have to go -- I was going to get there about the -- about the fifth of March.

HMJr: I see.

L: I was going to leave here on the second of March and get there the fifth and then I was going to be through there about the sixth or the ninth or tenth.

HMJr: I see. So you want to be in that vicinity?

L: I think it's best.

HMJr: Yes.

L: Because otherwise the distances are enormous.

HMJr: Yeah.

L: Shall I look around anyhow?

HMJr: Would you do that?

L: And see what there is around there?

HMJr: Right.

L: I'll do that anyhow. It's worthwhile looking around.

HMJr: Right.

L: Of course, the climate there is actually very good.

HMJr: Yeah. Yeah.

L: And that's that.

HMJr: Yeah.

L: All right. And on that fellow, I think -- of course, I can look further into him, but of course, I thought you'd

HMJr: No, that

L: like to know right away.

HMJr: That's right.

L: I'm leaving tomorrow for to go to Vassar to graduate Betty, you see?

HMJr: Oh, good.

L: Betty is graduating tomorrow.

HMJr: Good.

L: That's the reason I called you up today.

HMJr: Good.

L: And I could make further inquiries but they seem to be pretty -- from people I have confidence in.

HMJr: Right.

L: So that's that.

HMJr: Ever so much obliged.

L: Not at all and I'll go ahead with looking around about the other thing. And you let me know how Ellie is later on, will you?

HMJr: I'll let you know just as soon

L: Okay.

HMJr: Thank you. Bye.

December 15, 1944 17
11:16 a.m.

HMJr: Lindow and Tickton

Ted
Gamble: Yes.

HMJr: do not want me to say that we've made the
\$5 Billion individual quota.

G: Yeah.

HMJr: They think it's going to kill us. They are
willing for me to say that we've -- we will go
over the top by at least \$5 Billion.

G: Well, Mr. Secretary, I -- I don't agree with
them.

HMJr: Well, they say that they've got to get the stuff
in and they're very much afraid everybody is
going to lay down on the job.

G: Well, if everybody in the country quit, we'd
still get \$5 Billion.

HMJr: You're not afraid?

G: Not in the slightest.

HMJr: You're not?

G: And you'll see -- and as a matter of fact, I'm
sure if you ask them specifically that question,
if they have any doubts if -- as to whether we're
going over \$5 Billion or not

HMJr: No, they have no doubts.

G: they'll tell you that we will go over. And
I think that the line is that the Secretary of
the Treasury says that War Loan is over the top --
and I think that's one of the news punches to the
speech.

HMJr: Well, how about my saying we're going to have at
least \$19 Billion?

G: I think that would be wonderful. Now -- but I
do frankly think that that's -- I think you can
say that we'll go over -- that -- that it would
appear at this date as though \$19 Billion is the
amount -- that we would exceed \$19 Billion.

HMJr: They say that they will see it -- that they -- they can see it easily by Saturday.

G: That's right. That's right. We can tell by Saturday night.

HMJr: Yeah.

G: And it looks to me like we're in danger of having over eighteen Saturday night.

HMJr: All right. But you're not worried about it?

G: I am not worried about it, Mr. Secretary, and I think that's the whole punch to it.

HMJr: Okay.

G: All right, sir.

December 15, 1944
2:03 p.m.

Ted
Gamble: the speech.

HMJr: Yeah.

G: And we'd recommend against any changes.

HMJr: I see.

G: I'll tell you, for two reasons: 1. The Lord & Taylor operation. We don't think you ought to mention any names, either theirs or Rich's.

HMJr: Well, Gaston agrees with you on that.

G: And -- and I think that if you make a direct appeal to merchants to do something more, it cheapens a little bit the tone of the speech. I think it's a very high tone and you do that by inference when you say that this work is going to be kept up during the holiday season.

HMJr: Yeah.

G: And I think it's much better the way it is.

HMJr: Well, I won't fight.

G: And our people liked it.

HMJr: Yeah.

G: Very much.

HMJr: They did?

G: Yes, sir.

HMJr: They did?

G: Yes, sir.

HMJr: The only thing -- just a minute. (Talks aside)
Bell questions that eighteen cents.

G: Well, we got the eighteen cents from the George Haas Department.

HMJr: From George Haas.

- 2 -

G: And I talked to Dan. He always questions any figure that doesn't take in the printing of the bonds

HMJr: Yeah.

G: but this is a legitimate sales cost, in my opinion. And I think it's a good story.

HMJr: Did they like it?

G: They liked it immensely.

HMJr: Yes.

G: And I read it to them. I didn't read it as well as I think you'll read it but I thought it was good.

HMJr: All right. Now, I'm -- I've sent it over to the War Department. I had Forrestal for lunch. He's going to send it out to the Fleet.

G: Wonderful.

HMJr: So I'm taking care of the Army and the Navy.

G: Wonderful.

HMJr: And Shaeffer and Little are here. Shaeffer is going to see that -- I gather it's cleared with O.W.I.

G: That is right.

HMJr: But I'm telling Little that I'm looking to him on the over-all responsibility on the publicity.

G: That is right.

HMJr: Since it's War Bonds.

G: That's right. It's the way it ought to be.

HMJr: See?

G: Yes.

HMJr: Shaeffer gave me a look but I looked him back.

- 3 -

G: (Laughs) Well, I think that's right because it is War Bonds and we can still use the Sixth War Loan organization to get it over.

HMJr: They've got a -- you're not on the loud speaker but they're all laughing.

G: (Laughs) Okay.

HMJr: All right.

G: All right, sir.

HMJr: Good bye.

G: Good bye.

December 15, 1944
2:13 p.m.

Eugene
Duffield: How are you, sir?

HMJr: Fine. Gene....

D: Yes.

HMJr: I had lunch with Forrestal and I told him about a radio broadcast I'm doing on the end of the War Bond Drive Saturday night.

D: Yeah.

HMJr: And how would he like to send it out to the Fleet?

D: Uh huh.

HMJr: And he said if it's a tough speech, he would.

D: Good.

HMJr: So I'm sending it over to him, attention of you.

D: All right, fine.

HMJr: We're releasing it for Sunday morning newspapers.

D: Good.

HMJr: And if you like it

D: We'll certainly send it all over.

HMJr: And as a matter of interest, after you're through if you'll tell me what you did with it, I'd appreciate it.

D: You bet, we'll do that.

HMJr: We'll get you -- I'll just send it over with my card attached and you'll know what it's for.

D: You bet I will.

HMJr: But the idea is to get it to the Fleet because I'm doing what I never did before. You see, normally we don't know for two weeks what we get in.

- 2 -

D: Yes.

HMJr: And I'm going to say that the thing has gone over the top and expect to get over \$19 Billion.

D: Fine! Good!

HMJr: And that's over \$5 Billion individual. Well, I'm just going to stick my neck out.

D: Good. Fine.

HMJr: And -- so that it has that news value.

D: Yeah, you bet.

HMJr: I think that the men would like to know.

D: You bet they will.

HMJr: Inasmuch as they've got -- own a lot of bonds themselves.

D: You bet, sir.

HMJr: I'll leave it with you.

D: Yes, sir, you send it to me and with your card on it and we'll take care of it.

HMJr: How's business?

D: Well, I'm in the middle of an annual report and that's never any fun. (Laughs)

HMJr: All right.

D: Okay, sir.

HMJr: Good bye.

D: Good bye.

December 15, 1944
2:56 p.m.

E. R.
Stettinius: Hello, Henry.

HMJr: Yeah.

S: Ed.

HMJr: How are you?

S: Good. How are you?

HMJr: Did you say, "dead"?

S: I said, "Ed". I'm good.

HMJr: Oh, you're good?

S: Yes, sir.

HMJr: Yeah.

S: I just want to make my peace with you for not getting to this important business we had between us this week.

HMJr: Well, that's all right.

S: If there's anything -- there's nothing that won't hold until we see each other Monday, is there?

HMJr: No. The only -- I wrote you a little note.

S: Yeah.

HMJr: And I was a little worried about all this stuff in the paper about Allied authorities doing this and that.

S: Well, I'm -- I'm getting that whole story together and going to bring it with me Monday so you can go over the whole thing from soup to nuts.

HMJr: And -- well, that will be fine -- the other thing, when you come over, you might have in mind the possibility of some person who could come over maybe once or twice a week and sort of bring me up to date on what's happening in the world.

S: Political stuff?

HMJr: That's the idea. We -- I used to have a State Department man here, Merle Cochran.

S: Yeah.

HMJr: And he used -- he was loaned to me by Mr. Hull.

S: Yeah.

HMJr: And he used to -- this was some time ago -- he'd go over and Mr. Hull would let him read the cables in the outer office, and then he'd come back and tell me. Well, I haven't got any such person, but

S: Well

HMJr: somebody....

S: I'll make an arrangement to have somebody come to you

HMJr: Maybe once a week.

S: about once a week and brief you on the whole international situation.

HMJr: That's what I'd like.

S: All right, old fellow.

HMJr: Once a week would be plenty.

S: All right, sir. I think I have the man in mind already that -- who is going to be my liaison officer with the White House.

HMJr: I see.

S: He'll know everything there is to know, both what goes on there and here.

HMJr: Well, Jim was over here for lunch today.

S: Forrestal?

HMJr: Yeah. And he was saying he thought that you and Stimson and he and I ought to get together once a week.

S: Good plan.

HMJr: And on a basis where we could really just take our hair down and talk over our mutual problems.

S: Right, Henry.

HMJr: So -- anyway, what I've got will keep until Monday.

S: Right, sir.

HMJr: Thank you for calling.

S: Righto.

HMJr: Thank you.

December 15, 1944
3:30 p.m.

AUTHORIZATION OF GENERAL COUNSEL TO SIGN OFFICIAL MAIL

Present: Mr. O'Connell
Mr. McDonald

H.M.JR: Now, this is how to sign?

MR. O'CONNELL: The main thing I wanted to talk about is a decision which must be made as an inevitable result of my being put in general charge of the Bureau. There is a deuce of a lot of mail, and it would be my view that the logical way to handle it would be for me to sign such things as are required by law to be signed in the name of the Secretary as Acting Secretary, and everything else I would sign as General Counsel.

H.M.JR: Who else signs as Acting Secretary?

MR. O'CONNELL: Herb Gaston and Dan Bell and John Sullivan. They are the only ones, plus the General Counsel, who have legal authority to sign as Secretary, and you remember last June when I was appointed General Counsel you told me that you didn't want me to act as Acting Secretary on Foreign Funds, and I drafted an order changing the Executive Order.

H.M.JR: Executive Order or Treasury order?

MR. O'CONNELL: Executive Order. There was an Executive Order that was issued in 1941 which authorized the Under Secretary, Assistant Secretary, and General Counsel by the President.

H.M.JR: By the President?

MR. O'CONNELL: Yes.

H.M.JR: That is the thing I wanted to get. This is authorizing him to sign as Acting Secretary. That is the

- 2 -

thing that was never quite clear in my mind, and that is what I want to clear up.

Randolph Paul used to take the position that as Acting Secretary he could sign for Foreign Funds, whether I liked it or not, and that is something I never could understand.

MR. O'CONNELL: That is a novel idea to me. I didn't know that.

H.M.JR: He claimed that as Acting Secretary that was his sole authority and he could sign anything he wanted, and he only reported to me as a matter of courtesy.

MR. O'CONNELL: That may be, but that is certainly not the position any of your other people take.

H.M.JR: But he did. He had this authority which flowed directly to him. Now, that is what I wanted to get straight. That is why I have been holding this up.

MR. O'CONNELL: There was another order, mind you, authorizing the General Counsel--first Ed Foley, and then Mr. Paul--to act as Secretary in connection with Foreign Funds matters.

H.M.JR: An Executive Order?

MR. O'CONNELL: No, your order. It never seemed to me that was any different, in effect. It seemed to me it merely was a delegation of authority from you in the same way this is a delegation of authority from both you and the President. And no one who acts as Acting Secretary, it seems to me, can act independently of you; they act as your delegate.

H.M.JR: That is the thing Paul once or twice raised. I never understood it.

MR. O'CONNELL: I don't understand it, either; it doesn't make sense to me.

MR. McDONALD: The theory is that in the absence of the Secretary, these other Assistant Secretaries and the

- 3 -

Under Secretary would sign as Acting Secretary. That has never been followed.

MR. O'CONNELL: No, that has never been followed. The whole order is based on the theory that in the absence or sickness of the Secretary certain persons may be named by the President to act for you.

H.M.JR: Now, let's get this straight.

MR. O'CONNELL: The sole purpose and advantage of this whole thing is one of your convenience. The only person, that is, as I understand it, who ever has been, in fact, the Acting Secretary is Dan Bell when you are not here. There is a tremendous volume of routine material which has to be signed by someone in your name, that is, as an Acting Secretary, and the practice from time immemorial has been--

H.M.JR: Listen, you don't have to--if this is understood, it is all right with me. I would like to have you have the right to be Acting Secretary just as long as you don't feel that by giving you that you have some independent power, independent of me, which Paul seemed to think he possessed. In other words, if you are Acting Secretary and sign Internal Revenue mail, it is still subject to my review.

MR. O'CONNELL: There is no doubt about that in my mind.

H.M.JR: Well, I want to emphasize that. I haven't had time. There is no question in my mind, but there was something in Paul's mind. He felt that as Acting Secretary his authority flowed from the President to him and to Foreign Funds.

MR. O'CONNELL: That certainly is not so.

MR. McDONALD: Mr. O'Connell has told me that he has the opposite view.

MR. O'CONNELL: I prefer to sign as General Counsel.

H.M.JR: Let's stop the argument.

- 4 -

The other thing is this thing which you didn't look up, this case in connection with Casey. There was something where the Commissioner--I delegated him something in '40 or '41.

MR. O'CONNELL: That is right, in 1941. I don't have the order with me. There is an order which you signed which stated the Commissioner is the one to decide what will be done with respect to a case which may involve fraud. Now, the practice has been quite different. And the Casey case is the only case I know of in recent years, certainly in the last--

H.M.JR: May I again interrupt you? I would like to transfer that power to you.

MR. O'CONNELL: Yes.

H.M.JR: I want to revoke that with the Commissioner and delegate that to you.

MR. O'CONNELL: I am a little at fault on that. The reason we haven't really dug up the material and gotten ourselves on entirely good grounds is, you remember, you told Charlie Oliphant and me to do something about that, and Charlie has been in the hospital ever since. I can, but I have been a little backward about doing anything about it.

H.M.JR: I didn't know how inter-related those two things were.

MR. O'CONNELL: As a matter of fact it will probably be very difficult to do.

H.M.JR: You are not prepared to talk? I am fighting time, excuse me for interrupting you so much. Study it. If we are going to move, we ought to move on both of those fronts at the same time.

MR. O'CONNELL: They can be kept separate.

H.M.JR: That is quite agreeable. Are you, as of today, Acting Secretary when it is necessary to sign?

- 5 -

MR. O'CONNELL: Yes, I have been signing things as Acting Secretary.

MR. McDONALD: That is the principal thing we wanted to clear up.

H.M.JR: I didn't know whether we were going to take this away from the Commissioner or do them simultaneously. That was what was in the back of my mind all the time.

MR. O'CONNELL: This can be kept very separate. We can take the first step now.

H.M.JR: I am happy as long as I know this is something I have delegated to you to expedite things and it doesn't give you the right to decide a case in Internal Revenue without my being consulted if and when necessary. Is that clear?

MR. O'CONNELL: That is right, sure.

December 15, 1944
3:40 p.m.

HMJr: Hello.

Clifton
Fadiman: Hello, Mr. Morgenthau.

HMJr: Speaking.

F: Mr. Fadiman.

HMJr: Right.

F: I've been in touch with Rex

HMJr: Right.

F: and it's a little hard to arrange it for Tuesday. It's practically impossible for him.

HMJr: Oh.

F: We can take off Thursday if you can get us back -- if you can get me back in time for about six o'clock in the evening. Would Thursday be any good?

HMJr: Oh, yes. What would you do -- come down on the midnight?

F: Well, no, I thought the best -- if you could get us -- do you think you could get us plane priorities coming and going?

HMJr: I -- I think so but

F: Maybe the best thing would be to come down on the midnight. I can do that.

HMJr: I think the best thing would be to come down on the midnight and then

F: And then take a train back.

HMJr: Well, and then -- do you have a broadcast Thursday night?

F: No -- no, but I've got an appointment which I must keep.

- 2 -

HMJr: Well

F: If we went there -- if you saw us in the morning -- Thursday morning, we could take any train.

HMJr: Well, I -- I can see you at nine-thirty Thursday morning.

F: Nine-thirty Thursday morning I think is okay.

HMJr: See?

F: And then we -- that would give us plenty of time to get back.

HMJr: And then -- now, what I will do if you don't mind -- I'll switch you over to Mr. FitzGerald -- See? -- in my office.

F: All right.

HMJr: And you tell him what you want and he'll help you get the lowers or whatever you want to come down.

F: Well, I -- suppose I bother him only if we have to. We can probably get them. I've got to check with Rex anyway, on whether he's able to make it.

HMJr: Well, anyway, it's on the same extension. If you drop him a -- send him a telegram, I'll tell him. If you have any trouble, give him as much time as you can to get the accommodations coming down and going back.

F: I'll phone FitzGerald this afternoon if I need his help.

HMJr: Right.

F: Okay.

HMJr: I'll look forward to seeing you at nine-thirty on the morning of the twenty-first.

F: That's correct, sir.

HMJr: Thank you so much.

F: Good bye.

December 15, 1944
4:01 p.m.

34

Charles
Riegelman: Hello.

HMJr: Charlie?

R: Yeah.

HMJr: Henry, Jr.

R: Oh, hello, Henry; how are you?

HMJr: Fine.

R: What can I do for you?

HMJr: That's the right question. I have Mr. Rosenthal here in the office now, of Stein, Hall & Company.

R: Yeah.

HMJr: Your partner, Mr. Strasser, I think is chairman of the Board.

R: That's right.

HMJr: And I don't know Mr. Strasser. I know you slightly.

R: Yeah.

HMJr: And I want to get Mr. Rosenthal to come down here to head up Surplus Property for us.

R: Uh huh.

HMJr: And I thought you might, if you would, talk to Mr. Strasser and see what we can do to borrow him.

R: How long will he be needed, Henry?

HMJr: Oh, I'd say for a minimum of one year.

R: Uh huh. Well, of course, they just got him back and just reorganized on the basis of his coming back.

HMJr: I know.

R: And he probably told you that Mr. Hall died.

HMJr: Yeah.

R: So that he's more needed than ever.

HMJr: Yeah.

R: Does he want to come?

HMJr: Well, I can ask him. Just a minute? (Talks aside) He says the answer is, "Yes".

R: The answer is "Yes".

HMJr: Emphatically. Emphatically.

R: I'll get on the job and locate Stratford this afternoon or tonight and I'll ask him to put all the pressure I can on it.

HMJr: Well, I could ask no more of you.

R: I beg your pardon?

HMJr: I could ask no more.

R: And I think that he ought to be patriotic enough to do it. It means more work for him probably but if the situation is such that they could get along as long as they did without him, I should think that they ought to be able to do it again for a year.

HMJr: Well, we like Mr. Rosenthal very, very much.

R: Oh, he's a very able fellow.

HMJr: And

R: Everybody recognizes that.

HMJr: to get the right man for this Surplus Property is very difficult.

R: Is this to be -- this is not one of the Commissioners is it?

HMJr: No, Surplus Property in the Treasury.

R: In the Treasury?

HMJr: We have all consumer goods.

R: All consumer goods, yeah.

HMJr: It's an enormous job.

R: Uh huh. And that has nothing to do with the other Commissions?

HMJr: No, the -- we would -- the Treasury Procurement operates under the guidance of this Board.

R: Yeah.

HMJr: We'd be the operating agency.

R: You'll be the operating agency.

HMJr: On the consumer goods.

R: Yeah.

HMJr: I mean, we don't have factories and we don't have boats and ships but we have practically everything else.

R: I see. Yes, sir.

HMJr: See?

R: Yes, sir. Well, I'll be glad to do everything I can and do you want me to call you Monday?

HMJr: If you would.

R: I will.

HMJr: On District 2-6-2-6.

R: District

HMJr: 2-6-2-6.

R: 2-6-2-6.

HMJr: You can reverse the charges.

R: All right. I'll be glad to. I'll let you know one way or the other if I can get him to try that -- but I'll call you in any event.

HMJr: I thank you.

R: Bye. How's Ellie?

HMJr: Elinor is fairly well. She had an operation ten days ago.

R: Is that so? That's too bad. Did you get a house?

HMJr: No. Well, now, wait a minute. I'm in the process of drawing a lease.

R: Oh, you are.

HMJr: Yeah, but I haven't signed it.

R: I see.

HMJr: Yeah.

R: Well, I certainly hope to see you. We saw your dad a little while ago. He's doing pretty well, I think.

HMJr: Yes, he is, Charlie.

R: He's a wonderful fellow.

HMJr: I hope to see you.

R: All right. I do too. Well, I'll be running into you. And I'll call you Monday in any event.

HMJr: Thank you.

R: So long.

Draft II.

1694 ³⁸ Honda

Closing Address - 6th War Loan
Secretary Morgenthau

12-11-44

We have come to the close of another war bond drive, - ~~the sixth special campaign for funds since we entered the war, the third in the course of this year.~~ I want to report this evening on the results of this drive. The report should be made, it seems to me, directly to the men for whose use this money has been raised - the men who are carrying the tough and ugly brunt of the battle for our freedom.

We set a goal in this Sixth War Loan drive of 14 billion dollars. It was a high goal. It had to be. Well, that goal has been met. In fact, it has been surpassed. But we had another objective even more important than the over-all total of the drive - to raise five billion dollars through the purchase of bonds by individuals. I am thrilled to be able to report to you this evening that this objective also has been fully achieved.

I derived a good deal of amusement from a Berlin radio broadcast recorded here on December 5th. This is what it said: "Radio New York reports that during the first half of the period allotted to the Sixth American War Loan Drive, only one-fourteenth of the amount to be subscribed has been collected. One billion dollars has been subscribed during the first two weeks of the four-week drive which was to bring in at least 14 billion dollars." All right, Herr Himmler, the other thirteen-fourteenths is now on its way and will be delivered to you in due course.

- 2 -

The final tally on the Sixth War Loan cannot be completed until the end of this month. This is because millions of workers who authorized their employers to deduct money for bonds out of their pay envelopes will not complete their payments until the last pay day in December and because it takes time to inscribe and report to the Treasury the bonds purchased in the thousands of sales outlets in rural communities and distant places.

Among the distant places where bonds were sold in great numbers are the bases and battle lines of our armed forces overseas. Yes, our men in uniform are bond buyers, too. During the past twelve months they have bought just about one billion dollars worth of war bonds. Shortly before the Sixth War Loan drive began - to give you just one illustration of their spirit - the men of the Eighth Air Force in England organized a war bond drive of their own. Their slogan was, "Have you signed the book?" Every one who bought a bond signed a book which was sent to General Arnold as testimony to their support of the Treasury. Nearly every member of the Eighth Air Force signed.

But tonight I want to tell these men in uniform something about the spirit in which this bond drive at home was carried

- 3 -

through to its successful conclusion by the men and women in the mines and shops and mills and offices and farmhouses of America. I want them to know how well the home front has lived up to its responsibilities.

More than 50 per cent of all E bonds - the bond which most individual investors buy - are sold to men and women at their places of employment. In these places more than 20 million workers who buy bonds regularly month in and month out were harnessed into the Sixth War loan campaign for the purchase of extra bonds. Drives were organized in more than 150,000 separate plants. And all over the country labor unions and employers worked together as a team to reach, and exceed, the quotas in their particular establishments.

Let me give you a few specific illustrations of the way in which people worked together to go over the top in this campaign. A shipyard with about 5000 employees put on a drive in cooperation with the union leaders in the shipbuilding industry. It took them exactly 33 minutes to contact and canvass every worker in the yard. Before the first day of the drive was over, that shipbuilding plant had subscribed over a million dollars.

They were even more efficient in one of the big airplane factories in Los Angeles. There an army jeep ran up and down the assembly line with trained bond sales girls actually taking bond orders and issuing bonds with almost no interruption whatever of working time.

Or consider the little town of Stratford, Connecticut, with a population of 22,500, where eleven firms employ 14,000 of these people. The employees of these eleven firms raised 1,300,000 dollars - more than 150,000 dollars above their quota. Here's another case. In Philadelphia there is a little company making ice cream. It employs 400 men and women, and the Treasury gave it a quota of 30,000 dollars. Every person in that plant subscribed to the Sixth War Loan - for a total of 205,000 dollars.

It wasn't altogether easy for the civilian public to reach the high goal we set in this Sixth War Loan. As I have already noted, this was the third special appeal this year. And it came, of course, on top of the regular bond buying done in accordance with pay roll deduction and monthly purchase plans. Virtually every person in the United States had to share in the program in order to raise the five billion dollars worth of individual subscriptions. The record, I think, is the best testimony that Americans at home could offer as to the devotion and spirit with which they are backing up the men on the battle fronts.

- 5 -

It is testimony also to a magnificent unity and cooperation at home. The tremendous job of selling war bonds was performed almost entirely by a great army of volunteer workers in every part of the country. They made it their business to talk personally with nearly every citizen, either at his home or at his place of work. They collected funds, issued bonds and did the hard work of accounting. That work is still going on and will have to be continued faithfully throughout this month in order to get all the reports of bond purchases filed with the Treasury by December 31st.

I think it is a fact worth noting that the cost to the Federal Government for every thousand dollars raised in the war bond program amounts to exactly 18 cents. This is because the sales force is composed almost entirely of volunteers and because the tremendous promotion effort carried on in connection with the bond program was contributed freely by advertisers and advertising agencies, by newspapers and radio stations, by theaters, stores, banks, clubs, labor unions, chambers of commerce, and all the various civic associations that made up the vast mosaic of bond activity. They have given more than money to this drive. They have given imagination and energy and devotion. One of New York's Fifth Avenue department stores, for example, for an entire day at

the height of the Christmas shopping season offered for sale only one kind of merchandise - war bonds. Theaters and moving picture houses have given innumerable special performances to help the sale of war bonds; stage and screen stars have generously devoted time and talent to the program. The broadcasting network over which I am speaking tonight has turned over its facilities continuously for the past 13 hours exclusively to the war bond campaign. These are but samples of the varied ways in which Americans of every trade and profession have pitched in and teamed together on the home front.

There has been some stupid and dangerous talk of late that civilians over here are defaulting on their obligations to their fighting men. This Sixth War Loan is a concrete refutation of such nonsense.

The whole drive has been a magnificent demonstration of home-front solidarity - of real determination on the part of American civilians to carry out in full measure their responsibilities in the war effort. It should carry to the men overseas a ringing declaration of unlimited confidence and unstinted support.

It happened that this drive coincided with the launching of the war's greatest offensive in Europe and with the beginning

- 7 -

of a major effort to liberate the Philippine Islands from Japanese conquest. The buying of war bonds was one direct way in which we could share in these great engagements. We at home know well that hard and bitter battles lie ahead. For us, there will be other war loan drives after this one. We shall see them through.

And just as the fighting forces, day after day, must continue their relentless pressure on the enemy, we at home need to stick steadfastly at our production jobs and to meet each month our regular bond buying obligations. This Christmas shopping season affords a particularly significant opportunity for Americans here to join hands directly with the men overseas. There may not be much Christmas celebration for them this year. But we can help them celebrate by buying war bonds in their names. No other gift within our choice, whether to those we love in distant places or to one another here, can convey so much assurance of our faith in them and in the cause to which they are giving such high devotion.

We at home understand that this war is not yet won - that it will not be won until unconditional surrender has been wrested from desperate and stubborn enemies. We shall not fail or falter

- 8 -

until that time has come. There need be no doubt on this score among the men in combat. The Sixth War Loan has carried to them an expression of the way we think and feel. I believe it will hearten and inspirit them. I believe it will tell them, better than any words we could employ, that we recognize the magnitude and splendor of the task they are performing. I believe it will renew their certainty that all that we possess is pledged to meet their needs.

46 -

Draft from which reading copy
was made.

Draft II Revised - 1/6/94 words - 12/15/44 -

Closing Address - 6th War Loan
Secretary Morgenthau

Tonight I report to you on the close of the Sixth War Loan drive -

~~We have come to the close of another war bond drive - the
the third special drive this year.
sixth special campaign for funds since we entered the war, the
third in the course of this year. I want to report this evening
on the results of this drive. The report should be made, it seems
to me, directly to the men for whose use this money has been
raised - the men who are carrying the tough and ugly brunt of the
battle for our freedom.~~

*David
A.*

*I think they will
exceed 19 billion*

We set a goal ^{for the} ~~in this~~ Sixth War Loan ~~drive~~ of 14 billion
dollars. It was a high goal. It had to be. Well, that goal has
been met. In fact, ^{when the tallies are all in, it should have been surpassed} ~~it has been surpassed.~~ But we had another
objective even more important than the over-all total of the
drive - to raise five billion dollars through the purchase of
bonds by individuals. I am thrilled to be able to report to you
this evening ^{on the basis of returns already in, it seems clear that this objective} ~~that this objective also has been fully achieved.~~
also will be fully achieved.

*Great
speech*

I derived a good deal of amusement from a Berlin radio
broadcast recorded here on December 5th. This is what it said:
"Radio New York reports that during the first half of the period
allotted to the Sixth American War Loan Drive, only one-fourteenth
of the amount to be subscribed has been collected. One billion
dollars has been subscribed during the first two weeks of the
four-week drive which was to bring in at least 14 billion dollars."
All right, Herr Himmler, the other thirteen-fourteenths is now on
its way and will be delivered to you in due course.

Closing Address - 6th War Loan
Secretary Morgenthau

1316 48 words

~~We have come to the close of another war bond drive - the sixth special campaign for funds since we entered the war, the third in the course of this year. I want to report tonight on the results of this drive. But the report should be made, it seems to me, directly to the men for whose use this money has been raised - the men who are carrying the tough and ugly brunt of the battle for our freedom.~~

We at home are in the position of trustees. We have a two-fold responsibility. One part of this responsibility is to see to it that the fighting men get everything they need in the way of weapons and equipment and supplies. The other part is to see to it that the economy of this country is kept on an even keel so that this will remain a land of opportunity for them when they return.

Insert A
Now the only way this second responsibility can be met is by financing a large part of our tremendous production job out of current income. To some extent, this has been done, as you know, through heavy taxation. And in part it has been done by appealing to the American people to refrain from buying things they want but do not actually need - and to lend the money they might have spent to their Government instead.

- 2 -

The final tally on the Sixth War Loan cannot be completed until the end of this month. This is because millions of workers who authorized their employers to deduct money for bonds out of their pay envelopes will not complete their payments until the last pay day in December and because it takes time to inscribe and report to the Treasury the bonds purchased in the thousands of sales outlets in rural communities and distant places.

Among the distant places where bonds were sold in great numbers are the bases and battle lines of our armed forces overseas. Yes, our men in uniform are bond buyers, too. During the past twelve months they have bought just about one billion dollars worth of war bonds. ~~Shortly before the Sixth War Loan drive began - to give you just one illustration of their spirit - the men of the Eighth Air Force in England organized a war bond drive of their own. Their slogan was, "Have you signed the book?" Every one who bought a bond signed a book which was sent to General Arnold as testimony to their support of the Treasury. Nearly every member of the Eighth Air Force signed.~~

These men in uniform will want to know
~~But tonight I want to tell these men in uniform something~~
about the spirit in which this bond drive at home was carried

through to its successful conclusion by the men and women in the mines and shops and mills and offices and farmhouses of America. ^(They are entitled) ~~I want them to~~ know how well the home front ~~has~~ ^{is living} ~~lived~~ up to its responsibilities.

More than 50 per cent of all E bonds - the bond which most individual investors buy - are sold to men and women at their places of employment. In these places more than 20 million workers who buy bonds regularly month in and month ~~out were~~ ^{joined} ~~harnessed into~~ the Sixth War loan campaign for the purchase of extra bonds. Drives were organized in more than 150,000 separate plants. And all over the country labor unions and employers worked together as a team to reach, and exceed, the quotas in their particular establishments.

~~Let me give you a few specific illustrations of the way in which people worked together to go over the top in this campaign. A shipyard with about 5000 employees put on a drive in cooperation with the union leaders in the shipbuilding industry. It took them exactly 33 minutes to contact and canvass every worker in the yard. Before the first day of the drive was over, that shipbuilding plant had subscribed over a million dollars.~~

They were even more efficient in one of the big airplane factories in Los Angeles. There an army jeep ran up and down the assembly line with trained bond sales girls actually taking bond orders and issuing bonds with almost no interruption whatever of working time.

Or consider the little town of Stratford, Connecticut, with a population of 22,500, where eleven firms employ 14,000 of these people. The employees of these eleven firms raised 1,300,000 dollars - more than 150,000 dollars above their quota. Here's another case. In Philadelphia there is a little company making ice cream. It employs 400 men and women, and the Treasury gave it a quota of 30,000 dollars. Every person in that plant subscribed to the Sixth War Loan - for a total of 205,000 dollars.

It wasn't altogether easy for the civilian public to reach the high goal we set in this Sixth War Loan. As I have already noted, this was the third special appeal this year. And it came, of course, on top of the regular bond buying done in accordance with pay roll deduction and monthly purchase plans. Virtually every person ^{with income} in the United States had to share in the program in order to raise the five billion dollars worth of individual subscriptions. The record, I think, is the best testimony that Americans at home could offer as to the devotion and spirit with which they are backing up the men on the battle fronts.

It is testimony also to a magnificent unity and cooperation at home. The tremendous job of selling war bonds was performed almost entirely by a great army of volunteer workers in every part of the country. *They* made it their business to talk personally with nearly every citizen, either at his home or at his place of work. *They* collected funds, issued bonds and did the hard work of accounting. That work is still going on and will have to be continued faithfully throughout this month in order to get all the reports of bond purchases filed with the Treasury by December 31st.

I think it is a fact worth noting that the cost to the Federal Government for every thousand dollars raised in the war bond program amounts to ~~exactly~~ 18 cents. This is because the sales force is composed almost entirely of volunteers and because the tremendous promotion effort carried on in connection with the bond program was contributed freely by advertisers and advertising agencies, by newspapers and radio stations, by theaters, stores, banks, clubs, labor unions, chambers of commerce, and all the various civic associations that ~~made~~ ^{make} up the vast mosaic of bond activity. *They* have given more than money to this drive. *They* have given imagination and energy and devotion. One of New York's Fifth Avenue department stores, for example, for an entire day at

the height of the Christmas -hopping season offered for sale only
Another great store in Atlanta did the same thing for two days running.
one kind of merchandise - war bonds. ^ Theaters and moving picture

houses have given innumerable special performances to help the sale of war bonds; stage and screen stars have generously devoted time and talent to the program. The broadcasting network over which I am speaking tonight has turned over its facilities continuously for the past 13 hours exclusively to the war bond campaign. These are but samples of the varied ways in which Americans of every trade and profession have pitched in and teamed together on the home front.

There has been some stupid and dangerous talk of late that civilians over here are defaulting on their obligations to their fighting men. This Sixth War Loan is a concrete ^{answer to} ~~refutation of~~ such nonsense.

The whole drive has been a magnificent demonstration of home-front solidarity - of real determination on the part of American civilians to carry out in full measure their responsibilities in the war effort. It should carry to the men overseas a ringing declaration of unlimited confidence and unstinted support.

It happened that this drive coincided with the launching of the war's greatest offensive in Europe and with the beginning

- 7 -

of a major effort to liberate the Philippine Islands from Japanese conquest. The buying of war bonds was one direct way in which we could share in these great engagements. We at home know well that hard and bitter battles lie ahead. For us, there will be other war loan drives after this one. We shall see them through.

And just as the fighting forces, day after day, must continue their relentless pressure on the enemy, we at home need to stick steadfastly at our production jobs and to meet each month our regular bond buying obligations. This Christmas shopping season affords a particularly significant opportunity for Americans here to join hands directly with the men overseas. There may not be much Christmas celebration for them this year. But we can help them celebrate by buying war bonds in their names. No other gift within our choice, whether to those we love in distant places or to one another here, can convey so much assurance of our faith in them and in the cause to which they are giving such high devotion.

We at home understand that this war is not yet won - that it will not be won until unconditional surrender has been wrested from desperate and stubborn enemies. We shall not fail or falter

- 8 -

until that time has come. There need be no doubt on this score among the men in combat. The Sixth War Loan has carried to them an expression of the way we think and feel. I believe it will hearten and inspirit them. I believe it will tell them, better than any words we could employ, that we recognize the magnitude and splendor of the task they are performing. I believe it will renew their certainty that all that we possess is pledged to meet their needs.



INTERDEPARTMENTAL WAR SAVINGS BOND COMMITTEE
WASHINGTON



OFFICE OF CHAIRMAN
TREASURY DEPARTMENT

December 15, 1944

TO THE SECRETARY:

Re: Sixth War Loan - Office of Secretary
of the Treasury

This is in response to your request, received through Mr. Fitzgerald, for a report on the participation by employees of the Office of the Secretary in the Sixth War Loan.

The chart which you saw downstairs at the entrance shows that the Secretary's Office had reached 90.04 percent of its quota as of Saturday, December 9. The chart is revised only once a week on the basis of weekly reports as of the close of business on Saturday. The present percentage of quota for the Secretary's Office is 95.9 percent, the details of which are set forth below:

I. Secretary's Office

<u>Unit</u>	<u>Number of Employees</u>	<u>Percent of Quota</u>
Committee on Practice	4	121.55
Assistant Secretary Gaston..	7	204.74
Under Secretary and Fiscal		
Assistant	21	109.61
Secretary's immediate office	13	80.14
Administrative Assistant....	26	129.51
Tax Legislative Counsel	21	98.81
Chief Coordinator, Treasury		
Enforcement Agencies	21	78.64
Secretary's Correspondence		
Division	22	68.56
Interdepartmental War		
Savings Bond Committee....	57	108.27
Public Relations	15	64.85
Surveys and Planning	13	61.03
White House (details).....	23	76.58
<u>Messengers</u>		
Secretary's	5	34.79
Fiscal Assistant	5	53.85
Under Secretary	3	35.67
Administrative Assistant .	4	61.44
Total	256	95.98

Miss Klotz, please speak to me. 1/1/45

- 2 -

One of the factors adversely affecting the percentage of the Secretary's Office is that there were several separations since the quota was established.

II. Over the Top

The following bureaus of the Treasury Department had exceeded their quotas on December 9, as indicated below:

<u>Office</u>	<u>Percent of Quota</u>
War Finance	163.73
Monetary Research	137.36
Public Debt	131.98
Secret Service	126.50
Bureau of Accounts	114.88
General Counsel	112.43
Research and Statistics	110.22
Foreign Funds Control	110.50
Bureau of Narcotics	107.10
Procurement Division	104.59
Comptroller of the Currency ...	104.12

The following bureaus and offices had not reached their quotas on the basis of reports received up to the closing of business on December 9, but it is to be borne in mind that these figures will be substantially increased before the close of business on December 31, after reports from all field offices have been received:

III. Will Reach Quotas

<u>Office</u>	<u>Percent of Quota</u>
Customs	93.80
Chief Clerk	89.77
Treasurer, U. S.	87.67
Mint	83.76
Personnel	83.11
Internal Revenue	80.52
Tax Research	75.16

I am reasonably certain that all of the above mentioned bureaus will reach their quotas.

IV. Doubtful

The only bureaus and offices in the doubtful column are the following, although these percentages will be improved:

<u>Office</u>	<u>Percent of Quota</u>
Engraving and Printing	77.25
Superintendent of Treasury Buildings ..	84.92

V. Treasury as a Whole


The percentage for the Treasury Department, as a whole, on December 9, was 91.45 percent. I am certain that the Department will reach its quota of \$6,622,880 when all field reports are in.

VI. All Departments - Nation-wide

I am also confident that the civilian employees of the Federal Government, as a whole, will reach their Sixth War Loan Quota of \$200,000,000.

VII. Federal Employees in District of Columbia

In the District of Columbia, I think the civilian Federal employees will buy at least \$3 million more than their \$15 million Series E quota.



E. F. Bartelt,
Chairman

MEMORANDUM FOR THE SECRETARY

December 15, 1944

Mail Report

The usual pre-Christmas lull settled over this week's mail, which was lighter than it has been for some time. Correspondence came from those who had particular problems to solve rather than from those who had opinions to set forth; thus there was little material suitable for abstracting.

As usual, bond matters overshadowed all other subjects. Now that the Sixth Drive is ending, several writers, anticipating the Seventh, suggested that hereafter Drives be named rather than numbered. With Christmas gifts in mind, a few persons again asked for smaller bonds similar to the G. I. issue, and the scarcity of safety deposit boxes prompted several to request additional and improved safekeeping facilities.

The recent flare-up about rumors against E Bonds subsided somewhat, and there was little opposition to the over-the-counter plan for cashing them. Fourteen bonds, several bearing Kentucky postmarks, were submitted for redemption. Complaints about delays in handling bonds dropped off also, with only 11 from families of Service men.

In the tax mail there was little of consequence, with 20 requests for overdue refunds. Along with quite a few miscellaneous communications were 7 rather generous contributions. Mr. Melchor Leon sent in his monthly donation; one writer enclosed a new hundred-dollar bill; and another his personal check for \$1,000.

Geo Forbush

General Comments

Wolfram Hill, St. Paul, Minnesota. After giving your plan of coaxing Germany into an agricultural country further consideration, I am almost convinced that in spite of opposition, it holds out the best prospects of peace at least for the present generation. I am ready to discuss, debate, or lecture on this plan and in defense of its adoption. I feel it is the kindest proposal to a confirmed outlaw nation. If there is any concerted drive by any prominent organization in support of your plan, would you kindly advise me so I may offer my assistance.

Samuel Mayer, Montevideo, Uruguay. I refer to my letters of September 12 and October 17, to which I received no answer till now. * * * I improve the opportunity to beg you very earnestly to resolve my demand and answer me whether I may dispose freely every month of a part of my blocked accounts for private needs. Since your letter of January 25, I heard nothing from your Department, although I wrote several times upon this matter. From all my letters, you saw that I followed exactly the instructions contained in your letter of January 25. If, however, you want more information or proofs, I am at your entire disposal to give them to you. * * *

Dwight L. Bolinger, University of Southern California, Los Angeles, California. Can you assure me that no part of the government taxes that I may pay now, or in the future, will be used to pay for lend-lease tanks or other war material to be used by the British in killing anti-fascists in Greece or elsewhere?

Melchor León, Mexico City, Mexico. I take the pleasure to inclose herewith New York draft in the amount of \$245.40, equivalent of \$1,190.18 Mexican pesos (at the rate of exchange of \$4.85 pesos for \$1.00), to which

- 2 -

amounted the 25% of all purchases made by American citizens in this store, during the month of November, 1944, that is donated to the U. S. Government for "National Defense."

R. Moulton Pettey, National Director, National U. S. Constitution Association, New York, New York, adds the following postscript to a letter concerning surplus property: "Your plan, recently published anent just what to do with (and to) Germany appears to meet with unqualified approval of everyone with whom I have discussed the subject. We must not let them get away this time to start another rampage of murder, rape and arson in about ten years or less! Will it be 'a Just Peace or Just a Peace'?"

Philip B. Fisher, Philadelphia, Pennsylvania. I expected to participate in the Sixth War Loan to the extent of purchasing a thousand dollar bond. However, I am, I think, fully aware of the evil which might result from too large a national debt. Feeling the way I do, I have concluded that I would like to have the privilege of contributing the thousand dollars in a way that will not cause a corresponding increase in the national debt. I, therefore, send you the enclosed check as a donation to the United States Government.

- 3 -

Favorable Comments on Bonds

Major Edward Bowes, New York, New York. On November 30th, I presented my Chrysler radio program at the Pacific Theatre, Navy Pier, Chicago, Illinois, in conjunction with the 6th War Loan. I wish to express my thanks for the opportunity I have had of participating in the most extraordinarily fine effort of its kind ever to be held! Your Regional Administrative Officer requested me to pay the bills - and said that the Treasury Department would send a refund of the hotel and railroad charges incurred by my staff on the trip to Chicago. I feel I would like to assume the cost myself, as my contribution towards so worthy a cause, so, if such refunding checks have already been sent, I shall return them to your Department. * * *
With deepest admiration -

Walter R. Sanders, Louisville, Kentucky. (Encloses slip urging buyer not to cash bonds). The attached persuaded the writer to make his well worn, but still warm, overcoat last one more season.

Unfavorable Comments on Bonds

Mrs. Ollie C. Hodges, Asheville, North Carolina. Several times in the past you have written me about bond purchases, and my husband and I have bought one each month since Pearl Harbor. * * * When our son started training in the Armed Forces, he signed up for one each month to be deducted from his pay. When he finished training and started overseas, he signed up for a hundred dollar one each month to be deducted from his pay beginning July 1. I received one for July and one for August, then they stopped. I waited until sometime in November. I wrote the Bond Department about it, and they said the War Department had notified them not to mail any more until the Commanding Officer sent in the checked list each month. And if they were not received in 90 days, to notify my son to get in touch with his Commanding Officer and find out why they did not send in the list. My son is a pilot and a very busy person, and it takes a month usually for me to get an air mail letter from him, and the same perhaps for him to receive one from me. I don't want to bother him with such stuff for he really has enough to worry him now. * * * You have always been kind and I wanted to tell you about this, so you would know why he quit buying. When he was in the States, I could reach him by phone in a short while, but communications are difficult now. It seemed strange they passed such an order. Our fighting men are too busy to be bothered contacting and checking all the time. After all, they do deduct the money. He's due one for September, October, November, and December.

J. T. Liddle, Elizabeth, New Jersey. I am deeply concerned about the type of thinking which is being expressed publicly by men in regards to the safety of bonds. Mr. Rickenbacher's speech in New York as reported in the "Times" Tuesday, December 5, 1944, coming during the Sixth War Loan Drive, is especially disturbing. My wife and I have put almost every asset we have in U.S. Bonds - \$5,000 in Series E and \$10,000 in 64-69's. We do have faith in the Government's integrity and are doing everything we can to further the sale of U.S. Bonds.

- 5 -

Mrs. A. Korten, Long Island, New York. I would like to know if you could give me any information regarding war bonds taken out by my son while in N. Africa. These were a bond a month taken out in July, 1943, naming me as co-owner. These bonds were to be sent to me every month. There are 18 bonds coming to me, and I haven't received any. It seems to me as though something crooked is going on, as I have tried to trace these bonds for more than a year. I have written to the War Department in Washington about them. I also inquired of the War Bond Department in Chicago, with no success. My son has also tried to trace them, with no success. I receive quarterly bonds from my son, but not the monthly bond. Could you perhaps tell me where else I could write to. Anything you could do for me regarding these bonds will be greatly appreciated.

Mrs. Sol P. Schwartz, Louisville, Kentucky. * * * We are in the drug business, and naturally our help is in the Army, but I have given up teaching, etc., to help my husband in his place of business. Every day when he goes to the bank to make his deposits, the line gets longer. Those people are not making deposits or buying bonds, but are cashing in their bonds for cash. The tellers were unable to take care of their regular customers, so now they have a special window and a teller for that purpose. * * * I have been hearing quite a few people say they buy what bonds they have to buy, but as soon as they are negotiable, they cash them for this reason. After the war there will be a change in administration, and the face value of the bonds will be changed and not be worth what they have printed upon each bond.

Unfavorable Comments on Taxation

C. B. Smith, The Clyde Press, Pine Bluff, Arkansas. There is a tax refund of \$139.26 due the Clyde Press, C. B. Smith owner, for 1943 taxes, and it seems to me that more than ample time has passed in which this refund should have been made. If the taxpayer is five minutes late in the payment, he is penalized, yet when there is something due him he can wait month after month and still get nothing. Every man employed in my plant has been taken from me, leaving me destitute of help. In addition I am a cripple and need the amount due me. Will you kindly see that it is forwarded now?

Ellis M. Rohlf, New York, New York. I am in desperate need of the refund on the 1943 withholding tax due me. I have been ill and not able to work seven months in this year. I need the refund money to pay taxes on my home or lose it.

Elmer Hugchins, Wichita, Kansas. I hope you don't think I am rude or hasty. But pardon me, sir, you are a family man I am sure, and I hope you will get just what I am wanting to say. I am buying a home and have four dependents. I filed my income tax the 25th of last February, 1943. I have a refund of \$136.07 due me. I am getting a salary of \$34.00 a week and on account of the high cost of living and \$18.50 a month payment on my home, I don't have money to pay my home expense. Will you kindly, sir, if not asking too much, see that my refund be mailed as soon as possible?

Cost of collecting internal
revenue tapes

32¢ a \$100

3.20 a \$1000.

lowest in history.

12-15-44
From Mr. A. Bell.

DEC 15 1944

My dear Mr. Chairman:

Receipt is acknowledged of your letter of December 2, 1944, enclosing copy of a proposed additional report of the Joint Committee on Reduction of Nonessential Federal Expenditures entitled "Unexpended Balances", and requesting my comments and suggestions.

On December 14th, Mr. Borda informally indicated certain changes on pages 7 and 9 of the draft submitted with your letter of December 2, 1944. I have no objection to the proposed report as amended to incorporate these changes.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Harry F. Byrd
Chairman, Committee on Reduction of
Nonessential Federal Expenditures
Congress of the United States
Washington, D. C.

WTH:mlb:ec 12/14/44



THE SECRETARY OF THE TREASURY
WASHINGTON

My dear Mr. Chairman:

Receipt is acknowledged of your letter of December 2, 1944, enclosing copy of a proposed additional report of the Joint Committee on Reduction of Nonessential Federal Expenditures entitled "Unexpended Balances", and requesting my comments and suggestions.

I have no objection to the proposed report although there are two matters that I believe should have your further consideration. It seems to me the Joint Committee should avoid any criticism, either directly or by implication, of the appropriations committees of the Congress. The general tenor of the first paragraph on page 7 of the proposed report is one of criticism of the appropriations committees. A similar statement is contained in one of the earlier drafts of the report and in my letter of March 22, 1944 in connection with such draft I stated that as Secretary of the Treasury I would not want to join in any direct or implied criticisms of the appropriations committees. In this connection I made the following comment:

"The nature and size of our far-flung war activities make it imperative that the armed forces be given ample appropriations with which to plan their programs. The War and Navy Departments must formulate long-range plans for the complete mobilization of our combat forces and for the provision and equipment of our Army and Navy, and before they can make contracts or incur obligations under our laws, Congress must first make the necessary appropriations for such purposes. The size of our armed forces and the extent of our participation in the war require that huge appropriations be placed under their control. The appropriations committees of the Congress have recognized this situation and have granted to the services appropriations of sums that are needed for a successful prosecution of the war. There may be cases where subsequent events show that too many funds have been granted for particular purposes, but on the whole I believe the committees have performed a wonderful job in support of our armed forces. These matters are under constant scrutiny by the Budget Bureau and the committees from time to time and adjustments in appropriations are made as the situations warrant. It seems to me that this is as it should be."

Note
This draft
was discussed
with Mr. Board
Dec. 12 - He
advised that it be
held because these
provisions were
being changed -
on Dec. 14 Mr.
Board telephoned
the changes indicated
on pages 7 & 9 of the
draft. WBS



On December 14th Mr. Board informally indicated certain changes on pages 7 and 9 of the draft submitted with your letter of December 2, 1944. I have no objection to the proposed report as amended to incorporate these changes.

- 2 -

Under the caption "Fiscal Revision Needed" on page 9 of the proposed report the following statement is made:

"It is believed that complete information should be presented to Congress on unliquidated obligations with respect to specific appropriations and a complete and comprehensive accountability be rendered to the Bureau of the Budget along with the estimated budgets supporting proposed appropriations."

It is my experience that the Bureau of the Budget and the Congress call for and receive complete information concerning unliquidated obligations and all other matters affecting appropriations. The Bureau of the Budget receives monthly reports containing complete data with respect to appropriations and such reports are supplemented from time to time by detailed memoranda whenever such information is necessary for budget purposes. The appropriations committees likewise can obtain whatever information they deem necessary with respect to existing or proposed appropriations.

Very truly yours,

Secretary of the Treasury

Honorable Harry F. Byrd
Chairman, Committee on Reduction of
Nonessential Federal Expenditures
Congress of the United States
Washington, D. C.

Mr. Bell

Fred Lawton said
the Budget Bureau filed
objections along the lines
of our proposed reply. Shields
also told Lawton that
Cong. Cannon had also
registered objections.

Apparently on basis
of those objections pages 7 & 9
were changed as indicated
on the draft.

WJ
12/14

MR. HEFFELFINGER

HARRY FLOOD BYRD, SENATOR FROM VIRGINIA, CHAIRMAN
ROBERT L. DAWSON, REPRESENTATIVE FROM NORTH CAROLINA, VICE CHAIRMAN

SENATE

WALTER F. GEORGE, SENATOR FROM GEORGIA
JOSEPH M. LA FOLLETTE, JR., SENATOR FROM WISCONSIN
CARL HALLAS, SENATOR FROM VIRGINIA
MURPHY MCKELLAR, SENATOR FROM TENNESSEE
RONALD P. BYE, SENATOR FROM NORTH DAKOTA

HOUSE OF REPRESENTATIVES

ALLEN T. TREADWELL, REPRESENTATIVE FROM MASSACHUSETTS
JOSE CHAPIN, REPRESENTATIVE FROM TENNESSEE
CLARENCE CAMDEN, REPRESENTATIVE FROM MISSOURI
CLYTON A. WOODRUM, REPRESENTATIVE FROM VIRGINIA
JOHN TAMM, REPRESENTATIVE FROM NEW YORK

HENRY MORGENTHAU, JR., SECRETARY OF THE TREASURY
HAROLD D. SMITH, DIRECTOR OF THE BUREAU OF THE BUDGET
JOSEPH L. BORRA, CLERK

Congress of the United States

JOINT COMMITTEE ON REDUCTION OF NON-ESSENTIAL
FEDERAL EXPENDITURES

CREATED PURSUANT TO SEC. 961 OF THE REVENUE ACT OF 1941

December 2, 1944 r

Honorable Henry Morgenthau, Jr.

The Secretary of the Treasury

My dear Mr. Secretary:

At the last meeting of our committee, prior to the adjournment of Congress, a report on unexpended balances was tentatively agreed upon.

Since then, the report, a copy of which is enclosed, has been carefully checked with the Treasury Department, and there is no dispute as to the amount of the unexpended balances contained in the report.

I would be glad if you would go over this report and let me have your opinion regarding it at the earliest possible time.

With best wishes, I am

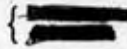
Cordially yours,

Harry F. Byrd
Chairman

enclosure

78TH CONGRESS }
2d Session }

SENATE



**REDUCTION OF NONESSENTIAL FEDERAL
EXPENDITURES**

ADDITIONAL REPORT

OF THE

**JOINT COMMITTEE ON REDUCTION
OF NONESSENTIAL FEDERAL EXPENDITURES
CONGRESS OF THE UNITED STATES**

PURSUANT TO

SECTION 601 OF THE REVENUE ACT OF 1941

UNEXPENDED BALANCES



**SEPTEMBER 21 (legislative day, SEPTEMBER 1), 1944.—Referred to the
Committee on Appropriations and ordered to be printed**

**UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1944**

CONGRESS OF THE UNITED STATES
JOINT COMMITTEE ON REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES

CREATED PURSUANT TO SECTION 801 OF THE REVENUE ACT OF 1941

HARRY FLOOD BYRD, Senator from Virginia, *Chairman*

ROBERT L. DOUGHTON, Representative from North Carolina, *Vice Chairman*

SENATE

WALTER F. GEORGE, Senator from Georgia.
ROBERT M. LA FOLLETTE, Jr., Senator from
Wisconsin.
CARTER GLASS, Senator from Virginia.
KENNETH MCKELLAR, Senator from Tennes-
see.
GERALD P. NYE, Senator from North Dakota.

HOUSE OF REPRESENTATIVES

ALLEN T. TREADWAY, Representative from
Massachusetts.
JERE COOPER, Representative from Tennessee.
CLARENCE CANNON, Representative from
Missouri.
CLIFTON A. WOODRUM, Representative from
Virginia.
JOHN TABER, Representative from New York.

HENRY MORGENTHAU, Jr., *Secretary of the Treasury*
HAROLD D. SMITH, *Director of the Bureau of the Budget*
JOSEPH L. BORDA, *Clerk*

LETTER OF TRANSMITTAL

CONGRESS OF THE UNITED STATES,
JOINT COMMITTEE ON REDUCTION OF
NONESSENTIAL FEDERAL EXPENDITURES,
September 21 (legislative day, September 1), 1944.

The VICE PRESIDENT,
United States Senate, Washington, D. C.

SIR: In accordance with title 6 of the Revenue Act of 1941, Public Law No. 250, Seventy-seventh Congress, as chairman of the Joint Committee on Reduction of Nonessential Federal Expenditures, it gives me pleasure to present to you an additional report of this committee, which I ask that you lay before the Senate of the United States, with a view to its being printed as a Senate document.

Respectfully submitted.

HARRY F. BYRD, *Chairman.*

REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES

REPORT ON UNEXPENDED BALANCES OF APPROPRIATIONS AND CONTRACT AUTHORIZATIONS

Pursuant to title 6 of the Revenue Act of 1941 (Public Law 250, 77th Cong.), approved September 20, 1941, the Joint Committee on Reduction of Nonesential Federal Expenditures was established in order to—

make a full and complete study and investigation of all expenditures of the Federal Government, with a view to recommending the elimination or reduction of all such expenditures deemed by the Committee to be nonessential, and to report to the President and to the Congress the results of its study, together with its recommendation * * *

The committee, after extensive study and review, herewith presents a report on unexpended balances of appropriations and contract authorizations under general and special accounts. These figures are based upon reports submitted by the various agencies of the Government to the Bureau of Accounts of the Treasury Department pursuant to Executive Order No. 8512, dated August 13, 1940, *as amended.*

AVAILABILITY OF FUNDS FOR FISCAL YEAR 1945 (THE YEAR ENDING JUNE 30, 1945)

Of immediate interest is the availability of funds to begin the fiscal year 1945. This availability is of two kinds, that which is available for obligation and that which is available for expenditure. The following figures are expressed in rounded millions.

Available for obligation:	
Unobligated balances brought forward July 1, 1944.....	\$49,576,000,000
New appropriated funds, July 1, 1944.....	60,581,000,000
New contract authorizations, July 1, 1944.....	11,079,000,000
Deduct appropriations, cancelations, and adjustments to contract authorizations, July 1, 1944.....	17,188,000,000
Total available for obligation July 1, 1944. ✓	104,048,000,000
Less obligations incurred to Sept. 30, 1944:	
July 1944.....	\$5,973,000,000
August 1944.....	5,745,000,000
September 1944.....	7,021,000,000
	18,739,000,000
Balance available for obligation Oct. 1, 1944.....	85,309,000,000

See footnotes at end of table.

✓ On basis of reports received as of that date.

REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES

Available for expenditure:	
Available for obligation, as detailed in previous section	\$104,048,000,000
Not available for obligation, unobligated balances brought forward July 1, 1944	4,969,000,000
Unliquidated obligations, balances brought forward July 1, 1944	81,596,000,000
Deduct unappropriated contract authorizations July 1, 1944	16,108,000,000
Total available for expenditure July 1, 1944	174,505,000,000
Less disbursements made to Sept. 30, 1944:	
July 1944	\$7,149,000,000
August 1944	8,113,000,000
September 1944	8,010,000,000
	23,272,000,000
Balance available for expenditure Oct. 1, 1944	151,233,000,000

¹ Credit.

² Does not include deficiency and supplemental appropriations which will be made during the fiscal year 1945 and which will increase considerably the balances remaining at the close of the fiscal year.

³ Available for expenditure only, to the extent necessary to adjust obligations previously incurred.

Under the heading of "Available for obligation" we have unobligated balances of the prior year appropriations and contract authorizations which were continued available for the fiscal year 1945 and brought forward in the combined amount of \$49,576 millions; new appropriated funds, which for the fiscal year 1945 amount to \$60,581 millions; new contract authorizations amounting to \$11,079 millions; appropriations made to provide funds to liquidate obligations incurred under contract authorizations (included in new appropriated funds above), together with cancellations and adjustments to contract authorizations amounting to \$17,188 millions and which have the effect of decreasing the amount available for obligation during the fiscal year; making a total available for obligation in the fiscal year 1945, as of July 1, 1944, of \$104,048 millions. Of this amount \$18,739 millions has been obligated to September 30, 1944, leaving \$85,309 millions available for obligation during the remainder of fiscal year 1945.

To arrive at funds available for expenditure in the fiscal year 1945, there must be added to funds available for obligation, as detailed above, the unobligated balances of appropriations which have expired; as, although these funds may not be obligated, they may be expended in case of adjustments in obligations incurred before the expiration of the appropriations. The amount of these funds available for expenditure in the fiscal year 1945 is \$4,969 millions, but ordinarily only a small part of such funds are absorbed in making necessary adjustments. There must also be added the amount of unliquidated obligations, which represents the amount of obligations that have been previously incurred but not paid. This amount brought forward to the fiscal year 1945 amounts to \$81,596 millions. There must also be deducted the amount of outstanding unappropriated contract authorizations, as no funds have yet been appropriated therefor. This amount for the fiscal year 1945 is \$16,108 millions. We now arrive at the total funds available for expenditure in the fiscal year 1945, as of July 1, 1944, amounting to \$174,505 millions. Of this amount \$23,272 millions has been disbursed to September 30, 1944, leaving \$151,233 millions available for expenditure during the remainder of fiscal year 1945.

EXPLANATION OF UNEXPENDED BALANCES AND CONTRACT
AUTHORIZATIONS

In order to avoid confusion with respect to the terms employed in this report, there is set forth below a brief explanation of the terms "unobligated balances," "contract authorizations," "unliquidated obligations," and "unexpended balances."

Every appropriation made by the Congress is recorded in a separate account on the books of the Treasury Department. Most appropriations are made on an annual basis, that is, they may be obligated (the action of reserving funds for contracts awarded, orders placed, salaries or other liabilities incurred) only during the fiscal year for which the appropriation is made. The funds not thus obligated are reflected as "unobligated balances" and are divided into "available for obligation" (for balances which are reappropriated or extended) and "not available for obligation" (for balances which are not reappropriated or extended). Although unobligated balances not reappropriated or extended may not be obligated after the close of the fiscal year for which the appropriations were made, these funds remain on the books of the Treasury Department for 2 additional years for expenditure only in case of adjustments in obligations previously incurred. No-year or continuing appropriations follow the same procedure, except the "unobligated balances" continue available for obligation from year to year until entirely obligated or until the attainment of the purpose or object of the appropriation, after which the balances are carried to the surplus fund.

Contract authorizations are statutory authorizations under which contracts or other obligations may be entered into prior to appropriations granted for the payment of such obligations. Contract authorizations in respect to obligations are the same as appropriations—contracts may be awarded, purchase orders issued, or projects put in work—but no expenditure may be made without an ensuing appropriation. Contract authorizations are usually made for long-term projects and require financing in the future; they may be financed in one appropriation or in installments.

The amount of obligations incurred against appropriations and contract authorizations minus the amount of money disbursed to liquidate those obligations is reflected as "unliquidated obligations." At the close of the fiscal year this figure of "unliquidated obligations" is supposed to reflect the amount of money yet to be disbursed, either already appropriated or yet to be appropriated, to liquidate obligations incurred under appropriations and contract authorizations. To the extent money has been appropriated, therefore, this balance of "unliquidated obligations" is available on the books of the Treasury Department for two additional years after the expiration of the appropriations, solely for the payment of bills properly incurred before the appropriations had expired for obligation by limitation of law.

The "unexpended balances" of appropriations and contract authorizations represent the amount of appropriations or other funds not yet expended, together with contract authorizations for which appropriations have not been made. Thus, the amount of "unobligated balances" plus the amount of "unliquidated obligations" is reflected as "unexpended balances" and represents the amount of appropriations and contract authorizations not yet disbursed. Part of this unexpended balance may never be disbursed, that is, as explained above,

REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES

the amount of unobligated balances of those appropriations which have expired by limitation of law before the entire amount of the appropriation was obligated; the amount of obligations incurred against contract authorizations which may be canceled or reduced; and the amount of unliquidated obligations which may expire by limitation of law before disbursements are made.

APPROPRIATIONS, CONTRACT AUTHORIZATIONS, EXPENDITURES AND BALANCES FOR THE FISCAL YEARS ENDED JUNE 30, 1941, 1942, 1943, AND 1944

The following table presents the funds available for obligation, the funds available for expenditure and the expenditures for each of the fiscal years together with the resulting balances at the close of the fiscal year and the adjustments to those balances to begin the new fiscal year.

TABLE I.—Appropriations, contract authorizations, expenditures, and balances for the fiscal years ended June 30, 1941, 1942, 1943, 1944

[NOTE.—This table comprises "general and special" appropriation accounts and related contract authorizations; it does not include trust funds, amounts payable from postal revenues, funds of Government corporations, the sinking fund, certified claims, judgments, and private acts. Working fund advances are treated as being fully expended]

(In millions of dollars)

Line No.	Item	Fiscal year ending June 30—				
		1941	1942	1943	1944	1945
1	Available for obligation:					
2	Unobligated balance from prior year.....	4,718	8,880	49,506	29,048	40,576
3	Appropriations.....	24,831	117,641	94,343	93,270	60,581
4	Appropriation transfers net.....		565	2,441	777	
5	New Contract Authorizations.....	14,903	15,855	16,485	11,369	11,079
6	Decreases in unappropriated contract authorizations.....	-1,863	-10,201	-22,083	-4,636	-17,188
7	Amount available for obligation.....	42,589	133,690	140,692	129,828	104,048
8	Add appropriations not available for obligation.....		18	42	75	
9	Deduct:					
	Transfers from expired to unexpired accounts net.....		-574	-2,442	-786	
	Transfers to surplus during the year.....		-11	-48	-77	
10	Not available for obligation:					
11	Brought forward from prior year.....	102	364	2,660	1,024	4,969
12	Unliquidated obligations:					
13	Brought forward from prior year.....	3,289	22,681	69,818	100,525	81,596
14	Total appropriations, contract authorizations and balances.....	45,960	156,128	210,722	230,589	190,613
15	Deduct unappropriated contract authorizations.....	15,518	21,082	15,484	22,217	16,108
16	Total appropriated funds available for expenditure.....	30,442	135,046	195,238	208,372	174,505
17	Deduct expenditures.....	12,818	34,017	79,863	94,162	
18	Unexpended balances of appropriations.....	17,624	101,029	115,375	114,210	
19	Analysis of unexpended balances:					
20	Unobligated balances of appropriations and contract authorizations:					
21	Available for obligation at June 30.....	10,359	51,648	30,306	52,392	
22	Less amount becoming unavailable after June 30.....	479	2,142	1,258	2,816	
23	Net amount available carried forward.....	9,880	49,506	29,048	49,576	
24	Not available for obligation at June 30.....	102	645	28	2,409	
25	Add amount becoming unavailable after June 30 (line 21).....	479	2,142	1,258	2,816	
26	Total amount unavailable.....	581	2,787	1,286	5,225	
27	Less amount reverting to surplus.....	217	127	262	256	
28	Net amount unavailable carried forward.....	364	2,660	1,024	4,969	
29	Unliquidated obligations:					
30	Available for expenditure at June 30.....	22,681	69,818	100,525	81,627	
31	Less amount reverting to surplus.....				30	
32	Net unliquidated obligations carried forward.....	22,681	69,818	100,525	81,596	
33	Total unexpended balances and contract authorizations.....	32,925	121,964	130,507	136,141	
34	Deduct unappropriated contract authorizations.....	15,518	21,082	15,484	22,217	
	Unexpended balances of appropriations carried forward (lines 22, 27, 31, less line 14).....	17,407	100,902	115,113	113,924	

Source: These figures are based upon reports of agencies except those for 1941, 1942, and 1943 which are partly estimated and subject to revision.

EXPLANATION OF TABLE I

The fiscal or operating year of the Federal Government begins on July 1 and ends on June 30 of the next calendar year; appropriations made by the Congress for operation of the Federal Government are made on a fiscal year rather than a calendar year basis.

Funds available for obligation in a fiscal year are composed of unobligated balances from prior years reappropriated or extended and continued available for obligation, brought forward July 1 (line 2); new appropriated funds (line 3); appropriation transfers net (line 4) which represents transfers by congressional action between expired and unexpired appropriations during the fiscal year, transfers to or from trust funds and other accounts, and transfers to surplus fund of balances of no-year appropriations when the purpose for which the funds were appropriated has been fulfilled; new contract authorizations (line 5); and decreases in unappropriated contract authorizations (line 6). This item represents the amount of appropriations that have been made by the Congress during the fiscal year to provide funds for liquidation of obligations previously incurred under contract authorizations, which funds are included in the "new appropriated funds," and also cancellations and adjustments of contract authorizations during the fiscal year.

Some deficiency appropriations are made to provide funds to liquidate obligations incurred in prior years and therefore are available for expenditure in the current fiscal year but not for obligation. These appropriations are included in line 8. Transfers between expired and unexpired appropriations, the contra entry of which is included in line 4 above is reflected in line 9 as well as transfers to surplus fund of expired amounts occurring during the fiscal year.

Funds not available for obligation (line 10) represent the unobligated balances of prior years which expired and were not reappropriated and which have not reverted to the surplus fund. Unliquidated obligations (lines 11 and 12) represent the amount of obligations previously incurred which have not been paid as of the close of the prior fiscal year and funds for the payment thereof have not reverted to the surplus fund. The sum of these amounts represents the total available for the fiscal year for obligation and/or expenditure (line 13). Contract authorizations can be obligated but not expended.

To arrive at the funds available for expenditure during the fiscal year (line 15) it is necessary to deduct the unappropriated contract authorizations (line 14) as no funds have been provided therefor.

The amount of unappropriated contract authorizations at the close of the prior fiscal year (lines 14 and 33) plus the amount of new contract authorizations during the fiscal year (line 5) minus the amount of appropriations for contract authorizations and cancellations and adjustments to contract authorizations (line 6) equals the amount of outstanding unappropriated contract authorizations at the close of the fiscal year (lines 14 and 33).

Expenditures (line 16) represent the amount of appropriations disbursed during the fiscal year to liquidate current and prior year obligations. Subtracting expenditures (line 16) from the total available for expenditure during the fiscal year (line 15) we arrive at the total unexpended balance of appropriations at the close of the fiscal year (line 17).

Unexpended balances at the close of the fiscal year must be adjusted to begin the new fiscal year to provide for unobligated balances of appropriations which have expired (not reappropriated) and to provide for transfer to the surplus fund for balances which have remained on the books of the Treasury Department 2 full years after expiration of the appropriations. The balance of the amount available for obligation during the fiscal year which was not obligated during the fiscal year is shown at the close of the fiscal year as available for obligation (line 20) but must be reduced to begin the new fiscal year by the unobligated balance remaining in appropriations that expired by limitation of law (not reappropriated) (line 21) to arrive at the unobligated balances continued available for the new fiscal year (lines 22 and 2).

In addition to the unobligated balances continued available for the new fiscal year, certain unobligated balances whose availability for obligation has expired by limitation of law constitute part of the unexpended balance and are carried forward into the succeeding fiscal year. These balances, while not available for obligation, are required by law to be carried on the books for 2 years beyond their availability for obligation and are then required by law to be returned to the surplus fund. Lines 23 to 27 show the component elements of these funds at the close of each fiscal year, the net amount (line 27) being carried forward as an unexpended balance in the succeeding year (on line 10). These funds are made up of the book balances on June 30 of amounts not available for obligation (line 23), plus the unobligated balances of appropriations expiring for obligation at midnight, June 30 (line 24), minus amounts reverting to the surplus fund after midnight June 30 (line 26). Thus, if Congress does not reappropriate balances expiring for obligation at the end of a given year, the amounts previously carried as unavailable are increased by new amounts expiring; and this total would continue to build up if it were not for the fact that certain appropriations making up the total have remained on the books 2 full years after their availability for obligation and must be reverted to the surplus fund.

Unliquidated obligations at the close of the fiscal year (line 29) represent the total amount of obligations incurred which have not been paid but must be adjusted to begin the new fiscal year in order to reflect any amounts reverting to the surplus fund (line 30). Obligations that were incurred during the life of an appropriation and which were not liquidated within 2 full years after expiration of the appropriation must be canceled and the funds appropriated therefor revert to the surplus fund. If these obligations that were not liquidated within the 2 full years after expiration of the appropriation are subsequently proven justifiable they can be paid only through submission of a claim to the General Accounting Office and a deficiency appropriation by Congress to provide funds for their payment. The adjusted unliquidated obligations (line 31) is the amount brought forward to the next fiscal year (line 12) to be included in unexpended balances.

The total adjusted unexpended balances of appropriations and contract authorizations to begin the new fiscal year (line 32) is reduced by the amount of unappropriated contract authorizations at the close of the year (line 33) to arrive at the total unexpended balances of appropriations for the new fiscal year (line 34), which differs from the total unexpended balance of appropriations at close of the fiscal year (line 17) by the sum of the amounts reverted to the surplus fund (lines 26 and 30).

REDUCTION OF NONESSENTIAL FEDERAL EXPENDITURES

UNEXPENDED BALANCES, FISCAL YEAR 1944

In the fiscal year 1941 and running through 1944, appropriations exceeded expenditures to such an extent that there has resulted ~~large and apparently disproportionate~~ "unexpended balances." Of course, it is not possible to maintain a balance between the two—plans, contracts, and purchases must be made well in advance of expenditures—~~but large continuing excesses invite unjustifiable extravagance and waste.~~ An analysis of unexpended balances at the end of fiscal years 1941, 1942, 1943, and 1944 is shown in table I above.

The fiscal year 1944, which covers the period July 1, 1943, through June 30, 1944, is taken to present a current picture with respect to unexpended balances. This information is presented in the following tables compiled from information furnished by the Bureau of Accounts of the Treasury Department and relates only to general and special accounts. The tables are based on reports submitted by agencies pursuant to Budget-Treasury Regulation No. 1, issued under Executive Order 8512.

TABLE 2.—Available funds, obligations, and expenditures for the fiscal year ended June 30, 1944

[Figures are stated in millions of dollars and due to rounding off may not add to total]

Department or establishment	Obligations		Expenditures	
	Available for obligation	Obligated	Available for expenditure	Expended
War Department.....	75,067	41,072	128,806	49,423
Navy Department.....	32,030	20,756	47,184	26,463
War Shipping Administration.....	3,764	2,695	5,199	2,071
U. S. Maritime Commission.....	1,834	703	5,509	3,995
All other departments.....	15,949	9,537	18,798	9,601
Interest on the public debt.....	2,653	2,653	2,785	2,609
Total.....	* 129,828	* 77,436	* 208,372	* 94,102

* Does not include 5,700 million dollars additional contract authority under the Independent Offices Appropriation Act, 1945 (Public Law 358) approved June 27, 1944.

* Line 7, table I.

* The amounts of contracts awarded, orders placed, and all other transactions which have the effect of legally reserving appropriations so as to require expenditures or reserving contract authorizations so as to require appropriations.

* Line 15, table I.

* Line 16, table I.

TABLE 3.—Analysis of unexpended balances of appropriations and contract authorizations, as of June 30, 1944.

[Figures are stated in millions of dollars and due to rounding off may not add to totals]

Department or establishment	Unexpended balances of appropriations	Unappropriated contract authorizations	Total unexpended balances	Analysis of unexpended balances		
				Unliquidated obligations	Available in fiscal year 1944	Not available
War Department.....	79,473		79,473	45,536	33,935	2
Navy Department.....	20,721	19,319	40,040	26,963	11,264	1,813
War Shipping Administration.....	3,128		3,128	2,058	1,069	1
U. S. Maritime Commission.....	1,514	1,942	3,456	3,725	* 269	
All other departments.....	9,196	956	10,154	3,169	6,392	593
Interest on the public debt.....	176		176			
Total.....	* 114,210	* 22,217	* 136,427	* 81,627	* 52,392	* 2,409

* Line 17, table I.

* Line 14, table I.

* Line 14, plus line 17, table I.

* Line 20, table I.

* Line 20, table I.

* Credit. Does not include 5,700 million dollars additional contract authority under the Independent Offices Appropriation Act, 1945 (Public Law 358), approved June 27, 1944.

* Line 20, table I.

* Line 20, table I.

m
but
unnecessary large
amounts
are
dangerous.

72

72

Table 2 shows as funds available for obligation during the fiscal year 1944 a total of \$129,828 millions, against which obligations were incurred to an amount of \$77,436 millions.

Table 3 is an analysis of the unexpended balances at June 30, 1944, showing \$136,437 millions unexpended, of which unliquidated obligations are \$81,627 millions and unobligated balances are \$54,801 millions. Included in the unliquidated obligations are unappropriated contract authorizations to an amount of \$22,217 millions.

It will be noted that the bulk of the moneys made available for the fiscal year ended June 30, 1944, were appropriations granted the War Department and Navy Department.

The War Department had a total amount of \$75,007 millions available for obligation during the fiscal year 1944. Against this availability, obligations in the amount of \$41,072 millions were incurred leaving \$33,935 millions unobligated. For fiscal year 1945 Congress appropriated \$15,445 millions and in addition reappropriated unobligated balances in an amount of \$33,873 millions—making a total of \$49,318 millions available for obligation during the fiscal year 1945, without considering deficiency and supplemental appropriations which will be made during the fiscal year. Against this availability \$8,266 millions has been obligated to September 30, 1944.

The Navy Department had funds totaling \$32,020 millions available for obligation during fiscal year 1944. Of this sum, \$20,756 millions were obligated—leaving \$11,264 millions unobligated. For fiscal year 1945 Congress made \$26,489 millions available by appropriation and in addition approved contract authorizations in the amount of \$5,075 millions. Decreases in unappropriated contract authorizations, due to appropriations, adjustments and cancellations, amounted to \$10,446 millions. An unobligated balance of \$8,925 millions was made available in continuing appropriations or by extension of 1944 appropriations into 1945—making \$30,033 millions available for obligation in fiscal year 1945, without considering deficiency and supplemental appropriations which will be made during the fiscal year. Against this availability \$5,340 millions has been obligated to September 30, 1944. 16
10
32

Of the \$136,427 millions shown on table 3 as the unexpended balance for fiscal year 1944, \$81,627 millions is reserved to settle unliquidated obligations. Of this amount reserved for unliquidated obligations, \$72,499 millions represents the War and Navy outstanding obligations.

In making the foregoing statements, it is taken for granted that the obligations of \$77,436 millions are maximum. There is available billions of dollars of war matériels, including equipment, planes, munitions, and supplies, which will therefore cut down production requirements. Additionally, there is \$81,627 millions of unliquidated obligations covering various sorts of matériel.

THE FISCAL SITUATION

The Bureau of the Budget in the Review of the 1945 Budget, released August 1, 1944, stated the public debt at June 30, 1944, was \$201,003 millions, and estimated the public debt at June 30, 1945, as \$251,286 millions. The public debt on November 29, 1944, as reflected on the Treasury Daily Statement, was \$214,077,915 thousands.

This is a tremendous sum and carries an annual charge for interest, at present low rates, approaching \$5 billions. The measure of the public debt may be more fully realized in the fact that it will mean a per capita debt equivalent to \$1,800 for every man, woman, and child in the United States—or to state it in terms of labor force, it will mean a per capita debt equivalent to approximately \$4,200 for each employable person.

The committee has been studying unexpended balances of appropriations and contract authorizations for more than a year and, while it advocates the expenditure of every dollar necessary for the successful prosecution of the war, it believes that great economies could be effected and recommends a ~~continuous thorough scrutiny of appropriation requests and greater economy in governmental operations.~~

The post-war budget should be balanced—revenues should equal or exceed possible expenditures on a peacetime taxing program—a taxing program favorable to the maintenance of high levels in business activity and full employment.

FISCAL REVISION NEEDED

The present system of authorizing continuing or no-year appropriations, continuing availability of balances of current year appropriations in subsequent years and beginning appropriations for a subsequent year in the current fiscal year does not afford the Congress or the ~~Bureau of the Budget~~ an opportunity to consider each year the spending program as a whole.

It is believed that complete information should be presented to Congress on unliquidated obligations with respect to specific appropriations ~~and a complete and comprehensive accountability be rendered to the Bureau of the Budget along with the estimated budgets supporting proposed appropriations.~~

RECOMMENDATION

- The committee recommends that—
1. Within 6 months after the conclusion of the European and Japanese wars, either or both, the Congress consider unexpended balances then current and provide legislation to lapse or cancel out all unobligated balances.

unnecessary

DEC 15 1944

Dear Lord Keynes:

Your kind letter of November 30 was awaiting me when I returned from my recent tour in connection with the Sixth War Loan. I, too, am sorry we did not have the opportunity for a final word together but it is gratifying to know that you feel our recent discussions ended happily both in the substance of what we were able to achieve and in the presentation of these achievements to our respective countrymen.

I share your feeling that our efforts have been fruitful, and I attribute much of our success to your own unflinching patience and wisdom in a situation where the scope and complexity of our task, coupled with the pressure of a tight time schedule, might well have produced friction and deadlock.

I trust that your mission in Canada was also successful and that you and Lady Keynes have had a pleasant voyage home. You have earned the right to relax a little after your recent arduous labors and I hope that you may find this possible.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Right Honorable Lord Keynes, C.B.,
H. M. Treasury,
Great George Street,
London, S.W. 1.

ENC:rl 12/14/44

Ret to Raw. 3203

74
4.

*OFFICE OF THE HIGH COMMISSIONER
FOR THE UNITED KINGDOM,
Earncliffe,
OTTAWA.*

30th November 1944.

Dear Mr. Secretary,

As my plane for Canada left early on Tuesday morning I had no chance of saying a word to you how very happily I felt our discussions together had ended with the acceptance of the proposed announcement on your side about what had been happening. This couldn't have been better expressed. You were, of course, quite right in feeling that there had to be a communication on your side at least as early as anything from us. Apart from that, we feel that this announcement rounds things off splendidly, and will serve to give my countrymen that feeling of sustained comfort which those of us got who were actually engaged in the negotiations.

I am afraid that the political crisis here will prevent us from reaching any final conclusion in the time at our disposal. But we shall, I think, be able to reach complete agreement on the factual side, and on the principles involved, and I have the best hopes that here

also

*OFFICE OF THE HIGH COMMISSIONER
FOR THE UNITED KINGDOM,
Earncliffe,
OTTAWA.*

- 2 -

also it will turn out pretty well in the final conclusion.

Ever sincerely yours,

Keynes

The Hon. Henry M_rgenthau, Jr.

DEC 15 1944

Dear Judge Patterson:

Enclosed is a memorandum received from the British giving details on claims they have made for payments said to be due them on account of the transfer to the United States in 1941 and 1942 of certain British contracts with, respectively, the Savage Arms Corporation, Tennessee Powder Company and Lima Locomotive Works.

According to an informal discussion of these claims on December 7 between Mr. Casaday of our Department and Lt. Col. Carow of your Ordnance Division, the position seems to be as follows:

1. Savage Arms Corporation (\$684,000). This payment, held up at the specific request of the Comptroller General on the grounds that it would be tantamount to an advance of funds prohibited by the Johnson Act, can now be made under authority of a letter dated November 11, 1944 from the Comptroller General to the Secretary of War, which states that, at the request of the War Department, the earlier decision by the Comptroller General has been reconsidered and that credit on the appropriate vouchers will now be allowed.

2. Tennessee Powder Company (\$292,000). Payment of this claim, held up voluntarily by the War Department, pending clarification of the Comptroller General's earlier disallowance of the Savage and other payments, can now presumably be made in view of the reversal of that decision as set forth in the Comptroller General's letter referred to above. We understand that new facts in this particular case may require War Department negotiation with the British for certain minor adjustments in the amount claimed but that, in principle, there is now no obstacle in the way of final settlement.

3. Lima Locomotive Works (\$100,000 and \$237,000). The War Department officials with whom we discussed this case could discover from the terms of the contract and other available data, no reason why the British claim of \$100,000 said to be owing on the delivery of one complete set of spare parts should not be paid as soon as delivery of the spare parts is complete. It is not entirely

Ret. to Rec. 3203

clear, however, whether complete delivery has, in fact, been made. There appears to be no reference in the contract to the additional spare parts claimed to have been delivered and Lt. Col. Carow said that the detailed records necessary to make an accurate appraisal of this claim for a further \$237,000 are to be found only in the Office of the Chief of Ordnance, Detroit. Because of the uncertainty that appears to surround this entire transaction, I should appreciate it if you would cause an investigation to be made with a view to appraising the total claim in this case of \$337,000.

Now that the main negotiations with the British have been concluded, we are anxious to reach a settlement on the few remaining questions as promptly as possible. I shall be grateful for your continued cooperation in helping to clear up the above claims arising out of War Department transactions.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Robert Patterson,
Under Secretary of War,
Pentagon Building,
Arlington, Virginia.

Enclosure

Memorandum on Certain Outstanding Claims Presented to the U.S. Treasury by the British Following Discussions Between Mr. White and Lord Keynes of November 27th, 1944.

There are four claims which are presently held up on financial or Treasury grounds only and we have not been able to make any progress with them for a considerable time. In accordance with the understanding reached in the meeting at the U.S. Treasury on November 27th we shall be glad if they could now be considered with a view to a decision being obtained.

Savage Arms - Contract No. A-3883. In 1941 the U.S. Treasury arranged for the take-over of this contract which covered the production of 333,000 British Lee Enfield rifles. The take-over was to be effected by the War Department placing a new contract for these rifles covering the entire production thereof and therefore assuming the entire cost of such production from the outset. Under these arrangements the British were to be reimbursed through Savage for the sum of \$1,359,000 representing the production expenditure incurred out of British funds from the beginning of production until the time production costs were met direct by the War Department. Of this amount \$675,000 was recovered, leaving a balance of \$684,000 which the War Department is willing to refund but payment has not been effected owing, it is understood, to the action of the U.S. Comptroller-General. It is requested that this transaction should now be completed as originally arranged and that the sum of \$684,000 be paid by the War Department.

Tennessee Powder Company - Contract No. A-502 - The production of powder at the Memphis Plant of the Tennessee Powder Company, now the Chicksaw Ordnance Works of the War Department, was completed under the British contract with DuPonts as of January 31st, 1942. After that date such production was covered by a War Department contract and the inventories of various materials and supplies belonging to us and on hand at that date were taken over by the War Department. The whole transaction is complete with the exception of the carrying out of a letter signed by Brigadier-General R.E. Hardy of the Office of the Chief of Ordnance dated November 14th, 1942. This provided that the War Department would assume the liability for certain pay accrued prior to January 31st, 1942 and, in return, we would not claim for certain items of the inventory taken over by the War Department. These items of inventory were so transferred but the War Department have not assumed the liability for the pay and in consequence the sum in question amounting to \$292,000 has not been reimbursed to us by DuPonts. The U.S. War Department whilst not disputing the amount of the claim have suggested that it be satisfied by a reverse Lend-Lease credit. We are unable to accept this proposal.

230
over

Lima Locomotive Works Inc. - Contract No. A-1962 - This was another production contract for which the U.S. Government assumed liability in 1942. It will be remembered that the take-over of British liabilities was affected by a sale contract No. 555 (U.S. contract W-Ord-694). A question has arisen as to payment for spare parts supplied by the British to Lima. Under sale contract No. 555 we are to be paid \$200,000. We have received an advance of 50% and a sum of \$100,000 is outstanding. The sum of \$200,000 represents one complete set and in fact the British supplied much more than one complete set. The total cost of spare parts so delivered out of British purchased material amounted to \$432,000. It is claimed therefore that an additional \$237,000 is outstanding. In this case the War Department itself has not agreed to the additional \$237,000.

White *Frank Automobile Center* *H. Col. Clifford*
- 3 - *Ordn Dept.* *Detroit*
Delmar Mich

Packard Motor Company - Contract No. A-787 - In the course of the sale of certain capital facilities owned by the British, Packards undertook to purchase buildings to a total of \$200,000. These buildings originally cost a much larger sum. U.S. Treasury has, however, objected to any payment being made to the British for this asset and has claimed that we should be satisfied with a reverse Lend-Lease credit. We do not accept this and support the contention with the argument that buildings, the property of the U.S. Government in foreign countries, would not be disposed of on the basis of a simple Lend-Lease credit to U.S. Government. Packards have agreed to pay \$200,000 and matter is held up solely on account of U.S. Treasury attitude.

Total of the above four claims is \$1,513,000.

Washington, D.C.
November 28th, 1944.

FOREIGN ECONOMIC ADMINISTRATION

80

WASHINGTON 25, D. C.

December 15, 1944

Dear Mr. Secretary:

Thank you for your kind note about my work as secretary of your Committee on Lend-Lease and Mutual Aid Between the United States and the United Kingdom. It was a pleasure to be able to help you and your Committee.

You will be cheered to learn that the programs which were worked out are proving firm and are already governing many operational changes. We are all indebted to you for the leadership you gave in formulating these programs and in seeing that many difficult policies were decided.

Sincerely yours,

Frank Cox

Assistant Administrator

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

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

81
DIVISION OF
COMMUNICATIONS
AND RECORDS

DEPARTMENT OF STATE
DIVISION OF

1944 DEC 15 PM 4 58

AA

BEU-462

PLAIN

Chungking via Navy

Dated December 15, 1944

Rec'd 2:20 a.m.

Secretary of State

Washington

2021, Fifteenth

FOR SECRETARY OF TREASURY FROM HURLEY

"Thanks for your kind congratulatory message. Will cooperate with Adler in every way".

HURLEY

RR

82

December 15, 1944

Signed letter delivered by Mr. White to
Dr. Chi Chao-ting, for transmittal to
Dr. Kung.



THE SECRETARY OF THE TREASURY
WASHINGTON

November 25, 1944

Dear Dr. Kung:

I am informing the War Department that we have successfully terminated the negotiations with respect to U. S. Army yuan obligations in China. The terms of the settlement of these negotiations as agreed upon at our conference this morning are as follows:

1. The War Department shall transfer to the account of the National Government of China or the account of such agency of the National Government of China as the National Government of China designates a sum of One Hundred and Eighty-five million U. S. dollars (US\$185 million), in addition to the Twenty-five million U. S. dollars (US\$25 million) already transferred, making a total of Two Hundred and Ten million U. S. dollars (US\$210 million), in settlement of all U. S. Army obligations incurred up to September 30, 1944.
2. This settlement does not include the yuan expended by the Government of the Republic of China for board and lodging of American armed forces in China. This sum will be credited to the National Government of China as reciprocal aid under Article VI of the Mutual Aid Agreement of June 2, 1942 at the request of the National Government of China.
3. As stated in paragraph 1 above, this settlement liquidates all our obligations for U. S. Army expenditures in China up to September 30, 1944 (with the exception of paragraph 2 above) with the understanding that as the appended minutes of conversations at Bretton Woods on July 16, 1944 and in Washington on November 25, 1944 indicate this settlement is without



- 2 -

prejudice to the Chinese contention that the cost of the Chengtu airfields is not included in the amounts referred to in paragraph 1 but should be treated as an item of reciprocal aid under Article VI of the Mutual Aid Agreement of June 2, 1942.

I wish to take this opportunity to say how much I appreciate the cooperative attitude you have invariably displayed in your dealings with the U. S. Treasury and the contribution you have thereby made to the further cementing of the friendly relations between our two countries.

Sincerely yours,


Secretary of the Treasury.

Dr. H. H. Kung,
Minister of Finance,
National Government of China,
Washington, D. C.

Excerpt From Minute of Conversation at Bretton Woods on July 16, 1944:

"General Clay: Well, Doctor, going back to what we have been discussing, and this view which you have just stated, if we paid you a gross of one hundred and twenty-five million now - a lump sum of a hundred million with twenty-five million having been paid - that would leave remaining the food and lodging and the four billion dollars would be presented by you as a claim under Reverse Lend-Lease. It would have no effect on the twenty million dollars for the next three months, which would be paid in cash, and for which you would provide us with the yuan that we need and would not prejudice that arrangement in any way; that we would pay you the lump sum of a hundred million dollars immediately, and in any Reverse lend-lease agreement to be effected, you could, in addition to the food and lodging which you would put forward as a claim, include also this four billion dollars.

"Dr. Kung: I wish I could do it, you know.

"H.M.Jr.: Excuse me. May I add one thing that we talked about, that in admitting this Chengtu four billion dollars, the claim, we in no way prejudice or go back on the cable of the President, which we interpret was all inclusive. I would like to make that clear.

I mean, we claim that this telegram of the President's meant twenty-five million a month, and included the construction of everything.

Now, what we are saying in view of what you have said - but not in any way going back on that - we still hold to this cable. But if you wish to put that claim under Reverse Lend-Lease for four billion dollars, we would raise no objection. Do you mind my making that suggestion?

"General Clay: That is right, sir. And we would do it in the interest of harmonious relations and appreciation of the co-operation which you have given to us."

Excerpt from Minute of Conversation in
Secretary Morgenthau's office, Treasury Department
November 25, 1944

Secretary Morgenthau: Now let me see if I understand it correctly. You will accept how many U.S. dollars for how many months in payment, so we get that clear?

Dr. Kung: To the end of September, October first, 185 million.

Secretary Morgenthau: That you will take \$185 million until October first. And that is in full payment with the understanding with respect to the claim. Is that right?

Dr. Kung: Yes.

Mr. Chi: In addition to that the claim for the Chengtu air fields can be put in.

Mr. White: I want to make certain, Mr. Secretary, that you and Dr. Kung are in agreement. I presume that you are both using the word claim in the sense which we use it in the United States, namely, that the Chinese Government could advance the cost of the Chengtu air fields as a claim in mutual aid on the basis that such cost had not been included in the figures submitted to us by the Army. Whether that claim will be recognized or not is a matter to be determined by subsequent examination of the data. In other words, the word "claim" does not mean a charge but rather the right to claim that a charge should be made for credit to reciprocal aid.

Secretary Morgenthau: To go a step further so that there can be no misunderstanding - when we pay over this \$185 million we will state that that is in full payment for all obligations incurred by the United States Army from the first of March to the first of October.

Mr. Pei: I beg your pardon, Mr. Secretary. With the understanding that the Chinese Government will put in a claim.

Secretary Morgenthau: May put in a claim..... That if subsequently additional information comes to light, furnished either by our Army or the Chinese Government, the Chinese Government may submit a claim as reciprocal aid.

Treasury Department
Division of Monetary Research

87

Date...Dec. 29.....19

To: Secretary Morgenthau

The development briefly described
in this letter is a significant one.

H.D.W.

MR. WHITE
Branch 2058 - Room 214-1/2



TREASURY DEPARTMENT

WASHINGTON 25
PARIS, 15 December 1944



AIR MAIL

AIR POUCH
No. 36

Dear Mr. White:

Yesterday the Consultative Assembly passed a draft Ordinance submitted by the Ministry of Labor providing for establishment of "Comites d'Entreprises". This project has been the subject of considerable discussion in political circles and is considered to be an important measure of economic reform.

The Comité d'Entreprises is really a development of the Vichy-inspired committees which were installed in the larger French enterprises and of Comités de Liberation which arose within the Resistance movement and which have been since the Liberation an important agency of the workers for attempting to influence the conduct of industry. As outlined in the present draft Ordinance the Comités d'Entreprises will be composed of the head of the enterprise, and delegates elected by majority vote by the employees whose names appear on lists submitted by the appropriate trade union organizations. It is stated that an agreement has been reached between the two big Unions, CGT and CFTC (Catholic Union) providing for proportional representation of the members of these two organizations on the lists of eligible voters.

For less than 50 workers there will be two delegates so elected, for enterprises employing from 50 to 100 persons, three delegates, and up to 8 delegates for larger enterprises according to the size thereof. Comités must be constituted for all establishments having more than 50 employees, and may be constituted for smaller establishments upon a decision to that effect by an appropriate Ministry of the Government. The Assembly was advised that 52 per cent of all workers would benefit from the application of the law to establishments employing more than 50 workers.

Mr. White,

2,

15 December 1944

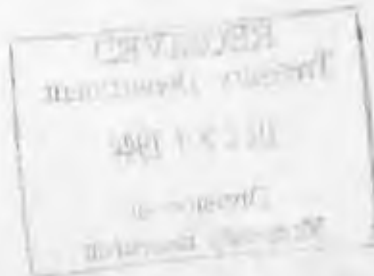
The functions of the Committees are not very clearly defined, but it is stated that they will have power to decide on all questions of a "social" nature and consultative power for questions concerning conditions of labor and production. They will also be expected to initiate proposals for bettering working conditions, etc. Three important powers which the Committees will have are those of having two members sit in a consultative capacity with the Conseil d'Administration of corporations, of receiving copies of financial statements submitted to the stockholders and of having such statements verified by a public accountant.

This project will not become law, of course, unless passed by the Council of Ministers. If it does become law it will introduce a major structural change in French industry, and it will be of interest to watch the manner in which French industry reacts.

Very truly yours,

Michael L. Hoffman
 Michael L. Hoffman
 U. S. Treasury Representative

Mr. Harry D. White,
 Assistant to the Secretary
 Treasury Department
 Washington, D. C.



Treasury Department
Division of Monetary Research

90

Date December 29 1944

To: Secretary Morgenthau

I think you will be interested in
this comment on attitude toward British
policy in Greece.

H.D.W.

MR. WHITE
Branch 2058 - Room 214-1/2



TREASURY DEPARTMENT

WASHINGTON 25

PARIS, 15 December 1944

AIR MAIL

AIR POUCH
NO. 40

M

Dear Mr. White:

The Greek crisis has given rise to a lively discussion in the Paris press. During the first few days of the fighting between the British and Greek forces the press merely reported the stories of the fighting. It was evident from the tone of the reports, however, that sympathy was with the Greeks. Within the last day or two the press has contained numerous editorial comments on British policy which more or less openly attack Churchill's action in this case. Comment of this sort appeared in the press only after the statement of Secretary Stettinius made it obvious that the American Government was not in sympathy with the British action in Greece. It is my impression that the French are deeply disturbed by the implications of the British policy in Greece. While strongly disapproving this policy there is an evident desire to avoid any open friction with the British. Consequently a good deal of comment stresses the existence of a difference between the policy of the British Government and the desires of the British people with respect to the matter. Nevertheless the French do not like the implications of the British action.

I enclose several clippings containing French opinion on the Greek situation. The editorial from L'Aube, which is the paper of Foreign Minister Bidault, is the nearest thing to French official opinion which has been expressed.

Very truly yours,

Michael L. Hoffman
U. S. Treasury Representative

Mr. Harry D. White
Assistant to the Secretary
Treasury Department
Washington, D. C.

Enclosures.

LA TRAGÉDIE GRECQUE

(SUITE DE LA PREMIERE PAGE)

92.

Un journal qui n'est ni communiste, ni même socialiste, mais tout simplement libéral, le « News Chronicle », écrivait, le 8 décembre :

Une personnalité très éminente nous a dit récemment : « En tant qu'Anglais, je me sens aussi humilié maintenant qu'après Munich. » Ces propos expriment un sentiment courant en Angleterre parmi les citoyens de toutes les classes. Nous recevons des lettres véhémentes, signées par les parents et les femmes des soldats qui combattent en Grèce, et qui s'indignent à la pensée que les leurs vont peut-être mourir en combattant non pas l'ennemi, mais un pays allié et ami.

Car ne vous y trompez pas, c'est le peuple grec que nos soldats sont en train de combattre et non pas une poignée d'insurgés. La soi-disant opposition qui est actuellement attaquée par nos Spitfires représente en réalité une très grande partie de la communauté grecque. Parmi ses chefs, figurent cinq généraux, des libéraux bien connus, deux professeurs fameux et deux évêques. L'E.A.M., dont le but est de libérer la Grèce d'une tyrannie vieille de huit ans, compte 1.500.000 membres. Ce parti, qui englobe la plus vaste organi-

sation de résistance grecque, a pu déclencher, en pleine occupation, des manifestations de 300.000 personnes. En dehors d'Athènes, la quasi-totalité du pays est gouvernée par les comités de l'E.A.M., élus selon une procédure démocratique.

Ce n'est pas nous qui parlons. C'est le « News Chronicle ». C'est l'Angleterre libérale. Nous dirions volontiers : c'est la conscience anglaise dont la vigilance est à trois fois un modèle pour les nations et une garantie pour les peuples.

M. S.

93

La tragédie grecque et le peuple anglais

par Maurice SCHUMANN

*Arabe
14/15*

UN ministre britannique, M. Mac Millan, qui soutint toujours la cause des peuples, en particulier celle du peuple français pendant les mois troubles qui suivirent la première délivrance de l'Afrique du Nord, et l'un des plus chics parmi les plus vaillants soldats de la vieille Angleterre, le maréchal Alexander, viennent de toucher Le Pirée. Nous ne doutons pas, nous ne voulons pas douter, que le but de leur voyage soit de rendre les armes britanniques à la tâche pour laquelle, il y a plus de cinq ans, la Grande-Bretagne et nous-mêmes avons précisément pris les armes : restituer la nation grecque dans son indépendance, et le peuple grec dans sa souveraineté.

Il n'est que temps, en effet, de mettre un terme au scandale qui, s'il se perpétuait, aurait pour résultat de priver la championne des nations du crédit moral dont elle aura besoin pour tenir, dans les conseils de la paix, le rang qu'elle a noblement mérité. Et dont, au surplus, elle ne saurait déchoir sans rompre, au détriment de tous et de la France en particulier, l'équilibre des vainqueurs.

Nous ne nous excusons pas d'intervenir ici dans une querelle qui intéresse non seulement deux de nos alliés, mais encore l'enjeu spirituel de la Grande Alliance. Quand des troubles mineurs et parfois impurs éclatèrent au Liban, la presse anglaise jugea bon d'en connaître. Elle fit bien, quant au fond sinon toujours quant à la forme, car la franchise est la loi des vraies amitiés; et rien, au surplus, de ce qui menace de dissoudre le ciment moral de la coalition n'est étranger à aucun des coalisés. Mais notre dessein n'est pas à proprement parler de mettre en cause la politique d'un gouvernement allié. Il est, bien plutôt, de faire écho à la voix du peuple britannique telle que la presse d'outre-Manche l'exprime avec sa liberté coutumière, rehaussée par une vigueur singulière.

(LIRE LA SUITE EN DEUXIEME PAGE, PREMIERE COLONNE.)

Contradictions britanniques

95
par Jean-Jacques Mayoux

PEU de temps avant le débarquement libérateur, Churchill faisait aux Communes un de ses tours d'horizon familiers. Sur un point, son discours était totalement inattendu et fit un effet extraordinaire.

Il s'agissait d'un éloge quasiment chaleureux de la neutralité espagnole et des services qu'elle avait rendus à la cause alliée. Il rendait hommage au général Franco de sa bienveillance et se rapprochait à la presse britannique son défaut de tact relatif par maintes caricatures grossières du Caudillo. La réaction à cette partie du discours fut vive. Le lendemain, la presse était pleine de caricatures diversement expressives de Franco, l'une d'elles montrant un Churchill en blouse, armé d'un pinceau, et s'efforçant de blanchir le dictateur paré de ses laideurs habituelles.

On ne rencontrait pas un journaliste britannique sans le trouver prêt à discuter le problème des intentions de Churchill et les explications les plus diverses étaient données. Je n'en retiens qu'une : « A la veille du débarquement, Churchill, disait cela, tient à rassurer de manière frappante — j'allais écrire flagrante — l'opinion conservatrice d'Europe et à faire ressortir que les armées alliées n'allaient pas envahir le continent pour lui apporter la révolution. » Il se serait donc agi d'une opération politique ; mais soutenue par l'inclination personnelle.

Mrs Roosevelt, interrogée sur le discours de Churchill, disait crûment : « M. Churchill pense comme cela depuis soixante ans et n'a pas l'intention de changer. » Le propos de Mrs Roosevelt était la première indication visible du changement d'orientation de la politique américaine.

A peine installé au département d'Etat, M. Stettinius en a tout récemment donné une seconde en blâmant assez brutalement l'administration britannique d'avoir empêché, par son veto, le comte Storza de devenir ministre des Affaires étrangères dans le cabinet italien. Le *Manchester Guardian* évoquait à ce propos avec quelque amerisme le passé du « State Department », soutenant Darlan, soutenant Girard, soutenant Badoglio, s'opposant au général de Gaulle.

« Les Américains, disait notre confrère britannique, ont la mémoire délicieusement courte. » C'est évidemment vrai.

MAIS toute la politique repose sur la brièveté de la mémoire des hommes. Peu importe ce qu'on se rappelle soi-même. Il suffit de calculer ce que les autres auront oublié. L'histoire est écrite par les Forces, par un système toujours mouvant de forces, et malheur à qui méconnaît les forces réelles, c'est-à-dire celles derrière lesquelles se cache l'Esprit, au moment même où l'Esprit, pour triompher, se matérialise et s'arme — lût-ce de mitraillettes. Méconnaissez ces forces et vous avez la guerre d'Indépendance américaine, et vous avez les révolutions françaises ou, à vrai dire, toutes les révolutions.

Ainsi le « State Department » fait preuve en faisant peau neuve d'une très grande et sans doute fructueuse sagesse. La position de la Grande-Bretagne, ou plutôt de son gouvernement, devenue si fautive et si périlleuse, est peut-

être et sans doute plus morale, en ce qu'elle s'abstient à soutenir ce qui lui paraît juste et bon. Elle croit soutenir la Grèce en décembre 1944 comme elle la soutenait en mai 1941, à son propre détriment et pour le principe. Quel principe ? Celui de l'ordre et de la loi ; le principe qui lui est depuis si longtemps sa propre raison d'être. L'avis de la majorité, librement exprimé, définit la ligne que la nation doit suivre. Cela vaut, que cette nation s'appelle Belgique, Grèce ou Grande-Bretagne. Mais, dit-on, et l'Espagne ? Ici intervient un curieux sophisme, que Churchill avait soutenu dans le discours précité. L'Espagne est neutre. Il ne nous appartient pas de nous mêler des affaires intérieures d'un pays neutre. Notre responsabilité ne s'étend qu'à nos alliés. Chez ceux-ci donc, maintenons la loi, la règle du jeu démocratique. Comme dit la *Brabançonne* : « Le roi, la loi, la liberté. »

(LIRE LA SUITE EN DEUXIÈME PAGE)

Franc-Tireur

94

Contradictions britanniques

(SUITE DE LA PREMIÈRE PAGE)

veau patriotisme populaire qui peut fouler les nations sans les confondre.

LA loi est une notion essentiellement conservatrice. La loi est ce que les hommes d'hier ont décidé pour les hommes d'aujourd'hui, ce que les hommes d'aujourd'hui décident pour les hommes de demain. La loi, fût-elle simple comme elle l'est justement en Angleterre, fût-elle très novatrice, est une immobilisation sans laquelle la civilisation en sauterait se concevoir. Elle est dans la marche des hommes vers l'avenir, le temps où le pied se pose à terre.

Le malentendu est grave, peut-être inextricable. En juin 1940, au moment où la France s'effondrait, où la Grande-Bretagne s'isolait à une lutte qu'elle jugeait peut-être sans espoir, le *New Statesman* écrivait, dans un moment d'instinct véritable, qu'il y avait un espoir, c'était de faire de la guerre une guerre populaire, socialiste, révolutionnaire. C'était bien cela. C'est cette guerre-là qui se poursuit, c'est ce nou-

NOS amis britanniques ont, par parole, manqué de sagesse. Pour nous, que notre sympathie fraternelle pour le peuple grec ou le peuple belge ne nous égarer pas, de peuple britannique ; il n'a pas partagé notre terrible expérience. Il n'est pas passé dans la flamme, mais il est bien plus près que les paroles ou les actions de ses gouvernants de l'indiquant de ses gouvernants ne l'indiquent de ses gouvernants dans les voires de l'avenir. C'est notre devoir, à nous Français, de rester lucides dans notre passion même et de remplir fidèlement notre rôle d'Europe soulevée et cette grande alliée d'Occident notre sœur d'inspiration.

Jean-Jacques MAYOUX

DEC 15 1944

Excellency:

We have just dispatched a cable to our Ambassador in Moscow requesting him to inform the Soviet Government that an Allied Military postage stamp has been printed in the United States for use in the U. S. and U. K. zones of occupation and that supplies of these stamps have already been shipped to the European Theatre. The Soviet Government will also be informed that this Government considers it desirable for similar stamps to be used throughout the occupied German areas and the Soviet Government is asked whether it would be agreeable to have these stamps used in the area under their control, and if the Soviet Government so wishes we are prepared to supply the plates so that the stamps may be printed in the Soviet Union, or to supply as large a quantity of the stamps as the Soviet Government may desire from our own printing.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

His Excellency,
The Ambassador of the Union of
Soviet Socialist Republics,
Washington, D. C.

CABLE TO AMPOLAD, CASERTA, FOR KIRK FROM WAR REFUGEE BOARD

In view of current situation Board does not plan to send Ackermann back to Italy. It would be appreciated therefore if you would arrange to send his files to the United States by pouch and his baggage in most expeditious fashion. Your assistance and that of your staff to the Board and Ackermann is greatly appreciated. We are sure if any matters of interest to the Board arise in future that we can count upon your cooperation.

10:30 a.m.
December 15, 1944

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: AMERICAN POLITICAL ADVISOR, CASERTA
DATED: December 15, 1944
NUMBER: 475

SECRET

In view of current situation Board does not plan to send Ackermann back to Italy. It would be appreciated therefore if you would arrange to send his files to the United States by pouch and his baggage in most expeditious fashion. Your assistance and that of your staff to the Board and Ackermann is greatly appreciated. We are sure if any matters of interest to the Board arise in future that we can count upon your cooperation.

STETTINIUS

WRB:MMV:KG
12-19-44

DCG-948

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

Madrid

Dated December 18, 1944

Rec'd 10 p.m. 16th

Secretary of State,

Washington.

4047, December 15, 9 p.m.

Spanish Charge d'Affaires left Budapest December en route to Spain via Switzerland. There is now no Spanish diplomatic representative in Hungary, protection of Spanish interests there having been turned over informally to Swedish Legation.

It is suggested that this information be conveyed to War Refugee Board.

HAYES

HTM

CABLE TO MINISTER JOHNSON, STOCKHOLM, SWEDEN

Reference your 5043 of December 9.

We appreciate weight of Swedish arguments reported therein and would be inclined to accept them. But before doing so, we suggest that you draw the attention of Foreign Office to the fact that, after having informed German Government in August that Sweden is willing to allow entry of persons with American immigration visas, there would appear to be a basis for Sweden to follow this up by informing the Germans of the names of the people concerned. Viewed in this light, our suggestion does not (repeat not) involve any new step.

The problem mainly involves Jews and other Nazi victims in Germany and German-occupied territories other than Hungary. In view of developments in Hungary, we agree that transmission of names of Jews still there would be of no (repeat no) likely benefit, but since many such Jews have been deported to other Axis areas, the transmission of their names may still be beneficial.

Board is inclined to share your doubts as to the effectiveness of the suggested procedure, but feels that no (repeat no) possibility of saving lives should be overlooked.

THIS IS WRB STOCKHOLM CABLE NO. 270.

3:30 p.m.
December 15, 1944

REP-659
Distribution of true
reading only by special
arrangement. (SECRET W)

Stockholm

Dated December 15, 1944

Ref'd 9:48 p.m.

Secretary of State

Washington

5136, December 15, 8 p.m.

Fritz Hollander of Swedish Section sends following message to Kubowitzki of World Jewish Congress. This is our Number 113 for WRB.

"Incomprehensible no reply received to our cable of October 30 (No 97 WRB Legation's 4419, 7 p.m.) Require confirmation your paying for food parcels. Advisable in sending future names to include date and place of birth for those at Bergen Belsen.

JOHNSON

EMB

CABLE TO AMERICAN LEGATION, BERN, FOR MC CLELLAND, FROM WAR REFUGEE BOARD.

Please deliver following message to Isaac Sternbuch, St. Gall,
from Rabbis Aron Kotler and Abraham Kalmanowitz of the Vaad Hahatzala
Emergency Committee:

QUOTE ALL MONIES FOR RABBI SZMULEWICZ SHANGHAI MUST BE
SENT IMMEDIATELY ACCORDING TO OUR DISTRIBUTION SCHEME SINCE
MONEY ONLY FROM EACH JESHIVOTH SEPARATE VAAD HAHAPZALA AND
INDIVIDUALS. YOU MUST FOLLOW OUR INSTRUCTIONS EXPLICITLY.
WILL CONSIDER NEW GROUPS IN FURTHER TRANSFERS. UNQUOTE

THIS IS WRB BERN CABLE NO. 327.

10:30 a.m.
December 15, 1944

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

Bern
Dated December 15, 1944
Rec'd 11:35 a.m.

Secretary of State,
Washington.

8139, December 15, 9 a.m.
FOR WRB FROM MCCLELLAND

I am in contact with both Posner and Muller
(Department's 4137, December 7, WRB's 308 and 4169 December 11)
and am endeavoring obtain from them and through other
competent sources all available information concerning
persons still in Bergenbelsen claiming American or
Latin American nationality.

Am also attempting compile more general nominative
list of internees remaining in this camp so that WRB
parcels may be sent them.

I will also contact Hungarian group which recently
arrived in Switzerland from Bergenbelsen in further
effort secure above mentioned information but doubt these
persons have much precise data since I understand this
Hungarian group was fairly well segregated from other
internees in Bergenbelsen.

HUDDLE

RR

ALH-692
 Distribution of
 true reading only by
 special arrangement.
 (SECRET W)

Bern

Dated December 15, 1944

Rec'd 11:59 p.m.

Secretary of State

Washington

8147, December 15, 3 p.m.

FOR WRB FROM MCCLELLAND AND FOR UNION ORTHODOX
 RABBIS EMERGENCY COMMITTEE FROM STERNBUCH

Rabbi of Sotmar states that two or three months ago at least 4000 men and girls from 15 to 50 years arrived in Bergenbelsen from Auschwitz. He presumes they were gradually sent to various German work camps.

Hungarian group at Bergenbelsen was completely segregated and all personal contact with deportees from Auschwitz was impossible. According to a written statement all extermination in Auschwitz was stopped a few months ago. Women from Auschwitz think that children and elderly people were sent to other camps. We are continuing our rescue efforts in this direction.

The passports which we once sent to Lithuania did not arrive. We have made various attempts to locate 16000 persons deported from Lithuania but unfortunately without success. We imagine the young people were brought to work camps in Germany. Short time ago we received a post card from a camp near Munich written by a young man deported from Kaunas. We have spared no expense to locate this camp and hope shortly to receive additional information.

Only a few of larger camps in German controlled territory are known; the many other camps are not accessible since German authorities in spite of repeated intercession refuse intercross all information and right to visit. Masy promised to try to

go to Auschwitz

-2- #8147, December 15, 3 p.m. from Bern

go to Auschwitz and other camps to locate deportees from Lithuania and Vittel.

Relief shipments from Switzerland to Shanghai are not possible. We have appealed to Japanese Red Cross.

Kindly wire whether you have received our following direct (clear) telegrams: October 31, November 5, 13, 14, 15, 23 and December 6. We are beginning to send you written communications of less pressing nature via courier. 8305.

HUDDLE

WSB

NOT TO BE RE-TRANSMITTEDCOPY NO. 4SECRETOPTEL No. 405

Information received up to 10 a.m., 15th December, 1944.

1. NAVAL

Yesterday aircraft from two of H.M. Escort Carriers laid mines off Norwegian coast. 3 attacks by JU 88 torpedo bombers repulsed. 1 was shot down.

ADRIATIC. 14th. One of H.M. Destroyers sunk by mine S.W. of Pola.

DODECANESE. 11th. One of H.M. Destroyers engaged 3 landing craft attempting to land enemy troops on Syri. 1 was sunk.

2. MILITARY

WESTERN FRONT. In Northern Alsace 7th U.S. Army made substantial gains in forest area N.E. Haguenau and took several villages. Further west some smaller gains and N.W. Bitche U.S. forces penetrated Maginot Line one point. The last fort held by the enemy in Metz area has been captured. In Saar Valley 3rd U.S. Army had heavy fighting in Sarreguemines area, also in Saarlouis sector where Dillingen bridgehead subjected to considerable artillery fire and U.S. forces compelled to make slight withdrawal. On 1st U.S. Army front gains made astride Monschau, both S.E. and N.E. of town where U.S. forces captured Simmerath and Rollesbroich. West of Duren U.S. forces advanced 1 to 2 miles and cleared several villages.

ITALY. In area north of Bagnacavallo fierce fighting continues. Germans bitterly contesting all efforts by Canadians to enlarge their bridgehead over Canal.

GREECE. 13th. ELAS continued to press towards centre of Athens. They used more mines and explosives and road to Piraeus though open was under small arms fire. Elsewhere in Greece, no material change.

BURMA. Our troops have entered Schwegyan 7 miles south Kalewa.

3. AIR

WESTERN FRONT. 14th. 34 medium bombers dropped 46 tons on defended area west of Karlsruhe and 717 fighter bombers and fighters (3 missing) operated over battle area. Enemy casualties 7, 2, 6.

14th/15th. 39 aircraft laid 202 sea mines in Kattegat. All returned safely.

MEDITERRANEAN. 13th. 299 fighter bombers and fighters attacked communications, etc., Northern Italy.

4. HOME SECURITY

To 7 a.m. 15th. 1 rocket about dusk. 3 rockets during night.

December 16, 1944
9:03 a.m.

HMJr: Hello.

Colonel
McCarthy: Hello, Mr. Secretary.

HMJr: Good morning.

M: I enjoyed your talk very much, sir.

HMJr: Did you? Well, we've changed it a little bit.
We've condensed it.

M: I see.

HMJr: Is it too late to send you over the

M: No, sir, it is not. I could stop that. I sent
it forward but -- during the night -- it was
quite late when I left.

HMJr: Yes.

M: And I'm sure that it won't have cleared the
record room, or if it has and gotten out to the
Stars and Stripes people, they won't have trans-
mitted it yet, I'm certain.

HMJr: Now, the other thing I want, because I didn't want
them to publish it before Sunday.

M: All right, sir. Fine.

HMJr: Well, do they have a publication there?

M: Well, you see this is the overseas version.

HMJr: Oh. Well, if it's gone, I'd let it -- no, I'll
tell you what I've put in -- I've put in a couple
of different figures which are much better.

M: I see.

HMJr: Do you think it would be hard to stop it?

M: No, sir, it won't be hard at all, because as I say,
I put it in my "out" basket late yesterday....

HMJr: Oh.

M: or last night. And I'm sure it will not have been transmitted. I can stop it right away.

HMJr: And that's to overseas?

M: Right, sir.

HMJr: Well, listen, we've cut it down to fourteen hundred words, which would make it better for them anyway.

M: Fine, Mr. Secretary. I figured that for domestic consumption, it would go to the press

HMJr: That's right.

M: and the Service papers make a great effort not to duplicate the daily press, so I thought we would depend on press coverage here but give it to Stars and Stripes which is our largest circulation publication overseas.

HMJr: I understand the boys really get that.

M: Oh, they do. It's the best -- it's the best -- it's the best newspaper we've got anywhere.

HMJr: Now, is that published in London or Paris?

M: It's published both in London and Paris, in the Middle East, in the China-Burma-India Theatre -- it's world-wide.

HMJr: And does that come under General Osborne?

M: Yes, sir, it does.

HMJr: I was just curious.

M: It does. And every Theatre has its own -- its own version of Stars and Stripes. They use a certain amount of stuff that they get from Washington, you see? And then they fill in with their own local news in the Theatre.

HMJr: Now, I've got one other request. I wonder if -- I used to do this at kind of odd times. They used to send over a man who would brief me on

HMJr:
Cont'd. air and I haven't had that for months.

M: Yes, sir.

HMJr: But I wondered if some fairly high up officer under General Bissell couldn't come maybe once a week and just tell me what's going on and interpret the war news for me.

M: Absolutely, Mr. Secretary. I'll call General Bissell's office on that and have him to designate somebody and call you and let you know who he is.

HMJr: Would you do it? If it's just once a week. I don't know -- don't want to know where they're going to attack, you know, but you read so much in the paper which doesn't make sense.

M: Correct, sir.

HMJr: And if once a week I could be briefed by somebody that, you know -- could go out and say, "Well, now this thing we're moving with the 9th Army and the purpose of that is so and so." You know -- could give me some idea -- or the Germans have got some Panzer Divisions and they may move in here -- that kind of stuff.

M: I understand perfectly, sir, and General Bissell will give you a call.

HMJr: I thank you.

M: Thank you, sir. And I'll await your new version, Mr. Secretary, before I do anything.

HMJr: What's that?

M: I say, I'll await the new version of your talk before

HMJr: It ought -- it will be there not later than -- before ten o'clock.

M: Fine, sir. And I'll stop the other

HMJr: And I'm sorry that -- but we did change it during the day.

M: It's perfectly all right, sir.

HMJr: Thank you.

M: Good bye.

December 16, 1944
9:35 a.m.

BRITISH REPAYMENT CLAIMS

Present: Mr. White
Mrs. Klotz

H.M.JR: The floor is yours. Don't mop it up.

MR. WHITE: All right. This is the problem: The Packard plant has already been sold for two hundred thousand dollars, though it cost five million. It has been sold by the British. It is one of the plants they bought here. The question is, who should get the two hundred thousand dollars, the Army or the British. The British claim they should get it; they bought the plants.

H.M.JR: If you wouldn't mind, like my children, if you would take your hand out of your mouth I could understand better.

MR. WHITE: As long as you didn't say thumb!

Prior to our entry into the war, the British purchased some plants, including the Packard plants. They paid five million. It is now worth two hundred thousand dollars. They have sold it, and the cash is being held in escrow. It is a question of whether the British will get it or the Army.

We took the position very early that that matter should not be settled. The Army at the time thought they ought to get the proceeds of the plants that are sold because they said, "They should turn the plants over to us"--to the Army--"on Lend-Lease in reverse." The British didn't see why they should. In the meantime, there was a buyer. The Army approved the sale, but the decision as to where the funds should go was not made, and the sale was made a long time ago--two hundred thousand dollars. And in my mind, in the light of all the discussions and things that have been done, I should

- 2 -

think there would be very little question that it should go to the British.

H.M.JR: The British invested five million dollars?

MR. WHITE: Yes.

The Army said that at first they thought there were about ten or twenty million dollars of this kind of thing. That is why they were interested in the type of case, because they thought the decision to be made on this would dictate the decision to be made later.

H.M.JR: Is this money that they paid--this must have been pre-Pearl Harbor?

MR. WHITE: Yes.

H.M.JR: And pre-Lend-Lease? Sure, it must have been. Lend-Lease started in March 1942.

MR. WHITE: Yes, it must have been. They ran out of money. You went up in the fall of 1941.

H.M.JR: The answer to that is, let the British have it.

MR. WHITE: All right, now the next item is six--

H.M.JR: I mean, how could I do these things? Seriously, you send a memorandum with a yellow tab and I am supposed to sit here and do it all by myself.

MR. WHITE: No, I thought you would read it and call me.

H.M.JR: This is the way we are doing it, anyway.

MR. WHITE: We need decisions on items.

You remember the question was definitely decided that take-out on the planes was out, but there were two other transactions--three others--which were, it seems, closely similar, though not identical. FEA was willing to make

- 3 -

the payment on two of these three which are closely similar, but it seems to us that in talking it over we would be quite vulnerable if we paid these after turning the others down, because they are almost identical, and this is what they are. There are certain planes which U.K. had paid dollars for, taken by the Army and diverted to Russia as part of our Lend-Lease. That is, we took them away from U.K. because we needed them. They amounted to twelve and a half million dollars. The British say those planes were never replaced. The Army says, "Well, we replaced others and better ones." That seems to me to be identical with the other planes, with the exception that we used the other planes we took away from them.

H.M.JR: They paid what?

MR. WHITE: Twelve and a half million dollars.

H.M.JR: No, I don't think it is necessarily--

MR. WHITE: You think since they went to Russia as against our using them would be sufficient difference.

H.M.JR: Is this something that FEA would be willing to do?

MR. WHITE: Not that one, they are in doubt. They were Wright engines purchased by U.K. for dollars and also diverted to Russia for four millions. I think they are willing to do that; and there was powder, two point two million dollars, which U.K. paid for and which was shipped to Russia for U. S. account. Those three are closely similar.

H.M.JR: No, those are different. I would be willing to go along on the three.

MR. WHITE: You would? Then we will raise that with the Army.

H.M.JR: I am willing to go along. That is clean-cut. I don't think we would be criticized. They paid money for it. We took it away from them and gave it to the Russians. They paid their own cash?

- 4 -

MR. WHITE: They did, yes.

H.M.JR: I would be willing to throw my weight on that to the British.

MR. WHITE: Then we will raise it with Mr. Lovett and Ordnance. They claim that they gave them other planes and didn't see why they had to pay, but we will re-examine this issue. Those are the two.

H.M.JR: All right.

You know, this fellow Johannes Steel was in yesterday. He gave me three examples of where the English have been rebuffed severely in this country the last couple of months. One he claims was on oil, two, on the planes. The only thing that they have gotten at all which has saved Churchill's face at home is this Lend-Lease on the Second Phase. It is the only thing he has gotten.

MR. WHITE: Well, he would need less to save his face. Those two letters--I thought we agreed you were going to sign.

H.M.JR: What are they?

MR. WHITE: To Crowley on the position of Dean Acheson-- State Department--with respect to the take-out of planes.

(The Secretary signs letters addressed to Secretary of State ~~Patterson~~, and Mr. Crowley, attached.)

MR. WHITE: Did you notice the new development which is beginning to take shape? It is rather interesting because it is the contrary of Baruch's apparent moves. This is a recent development. I think it springs from the trouble in Greece, in which the people who were formerly isolationists and formerly anti-British--Chicago Tribune and those--are turning a complete somersault, and they are now taking the position that if we are to save Europe from Bolshevism, and so forth, we must support and strengthen England.

H.M.JR: The Chicago Tribune?

- 5 -

MR. WHITE: I understand the Chicago Tribune is going to turn; the Daily Mirror already has, and there are some other indications along the line.

H.M.JR: That is not what Baruch is doing.

MR. WHITE: I say this is the opposite of Baruch's position. I say that is why it is particularly interesting.

H.M.JR: I would like you to bring it to my attention as you actually see it.

MR. WHITE: Yes, I will get the tidbits and give them to you.

H.M.JR: The other thing which Steel says is interesting is that he thinks Baruch and Clayton are playing the same game on England. He thinks so. He says he thinks that Baruch and Clayton are together on this thing.

MR. WHITE: Maybe it would be because Clayton is pretty close to Baruch.

H.M.JR: Baruch sent me another thing yesterday which I sent you.

MR. WHITE: I didn't know. Did you find out whether that was the same? I sent it to Gaston. I guess maybe he hasn't analyzed it yet. I think that statement of the President's, if it is Baruch's--and I think it is--but if Secret Service tells you the documents are the same, I think that has to be answered with care. The care requires not the position to take, but how to present it to the President so he will read it, because I think that will provide another opportunity.

Assuming this is Baruch, what he says in that will provide another opportunity for presenting further a position on Germany.

H.M.JR: Hopkins is far more worried as stuff comes out. He says here they are going to meet shortly and, "Just where does the President stand on Germany?"

He said, "Why do you assume he has changed his position?"

DEC 16 1944

My dear Mr. Secretary:

Mr. Acheson sent a letter to me on November 25 in which he recommended that the assurances from Australia, New Zealand and the Government of India regarding reciprocal aid for our armed forces should be accepted and, accordingly, that the Committee should recommend the elimination of paragraph 10 of the Joint Report on Army Ground Items and paragraph 11 of the Joint Report on Air Items. Although I understand that Mr. Acheson has informed you of his recommendation, I am enclosing herewith copies of his letter and of the signed memoranda submitted by the representatives of the Dominion and Indian Governments.

Your opinion or comments on Mr. Acheson's recommendation will be appreciated. For my part I am inclined to accept it. If you and Mr. Crowley agree I will inform Under Secretary Patterson that this is the recommendation of the American Committee.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of State.

Enclosures

Ret. to Pen. 3203

DEC 16 1944

Dear Mr. Crowley:

Mr. Acheson sent a letter to me on November 25 in which he recommended that the assurances from Australia, New Zealand and the Government of India regarding reciprocal aid for our armed forces should be accepted and, accordingly, that the Committee should recommend the elimination of paragraph 10 of the Joint Report on Army Ground Items and paragraph 11 of the Joint Report on Air Items. Although I understand that Mr. Acheson has informed you of his recommendation, I am enclosing herewith copies of his letter and of the signed memoranda submitted by the representatives of the Dominican and Indian Governments.

Your opinion or comments on Mr. Acheson's recommendation will be appreciated. For my part I am inclined to accept it. If you and Mr. Stettinius agree I will inform Under Secretary Patterson that this is the recommendation of the American Committee.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Leo T. Crowley, Administrator,
Foreign Economic Administration,
Room 414,
National Press Building,
14th & F Streets, N.W.,
Washington, D.C.

Enclosures

LWC:rl 12/14/44

Ret. to Rev. 3203

November 25, 1944.

My dear Mr. Secretary:

In accordance with your request at the combined meeting with the British group on lend-lease matters of November 22, 1944, there took place in my office the same afternoon a meeting to resolve the problem of reciprocal lend-lease aid to our armed forces from the British Dominions. There were present at the meeting, among others, Lord Keynes and Mr. Brand representing the United Kingdom, Senator Keane and Messrs. Moore and Dunk representing Australia, Mr. Reid of New Zealand, Mr. Symon representing the Government of India, Lt. Gen. Styer and representatives of the State and Treasury Departments and the Foreign Economic Administration.

Senator Keane and the other Australian representatives presented forcefully their position as already set forth in their memorandum of November 20 which has been circulated in mimeograph form. Mr. Reid of New Zealand expressed himself as concurring fully with the position taken by his Australian colleagues and indicating that within the limits of the supply possibilities of New Zealand his Government would certainly make available materials to our armed forces as in the past with no serious problem of geographical destination. Mr. Symon read instructions from the Government of India indicating its intention to continue reciprocal lend-lease aid to the utmost, limited only by the very pressing supply and transport problem which now exists in India.

General Styer expressed himself as very pleased with the actual performance under reciprocal lend-lease, especially in the case of Australia to which the meeting was primarily devoted, but stated that as the scene of

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

COPY

- 2 -

operations moves out of the South and Southwest Pacific areas the Army was desirous of obtaining assurances that the reverse lend-lease aid would continue. The Army therefore continued to press for a new understanding on this point in writing.

Subsequent discussions brought out that the Australian position as indicated in the document referred to above would in fact solve at least 99 per cent if not 100 per cent of the problem and at my request the representatives of Australia, New Zealand, and the Government of India agreed to furnish signed memoranda reiterating their positions (copies of these memoranda are attached). In view of these entirely satisfactory assurances from Australia, New Zealand, and the Government of India I indicated that I would recommend to your Committee their acceptance, and the elimination as a condition to lend-lease aid of paragraph 10 of the Joint Report on Army Ground Items and the parallel paragraph 11 of the Joint Report on Air Items.

Sincerely yours,

/s/ DEAN ACHESON

Dean Acheson
Assistant Secretary

Enclosures:

Memoranda from representatives
of Australia, New Zealand, and
Government of India.

COPY

INDIA SUPPLY MISSION

635 F Street, N. W.
WASHINGTON, D.C.

24th November 1944.

TELEPHONE - EX 5484

Dear Mr. Acheson,

In accordance with the request which you made during the discussion in your room on 22nd November, I write to confirm that the Government of India will continue to furnish Reciprocal Aid during Stage II on the same basis as hitherto. It will be appreciated, however, that the actual extent of such aid will depend on a number of factors including the availability of supplies and the strength of the military forces located in or near India.

I should also like to emphasize the view of the Government of India that India's real resources (labour, food, transportation, coal, raw materials, etc.) are already over-mortgaged and that in consequence deliveries against existing supply programmes are already behind.

The quantum of Reciprocal Aid which can be made available hereafter must necessarily be conditioned by these factors. Nevertheless, as stated above, within the limits of India's resources the Government of India will continue to furnish the requirements of the United States under Reciprocal Aid on the basis already in force and subject to similar conditions as to availability of supply and transport.

Yours sincerely,

ACB SYMON

Mr. Dean Acheson,
Department of State,
Washington, D.C.

COPYTOP SECRET

NEW ZEALAND LEGATION

WASHINGTON 8, D. C.
24th October, 1944.

Dear Mr. Acheson,

Confirming the discussions on Reciprocal Aid in
Stage II in your office this week, I enclose a note
setting out New Zealand's attitude on this subject.

Encl.

Yours sincerely,

JOHN S. REID
First SecretaryDean Acheson, Esq.,
Assistant Secretary of State,
WASHINGTON, D.C.

TOP SECRETRECIPROCAL AID - NEW ZEALAND

In terms of a note of 3rd September, 1942, and an exchange of letters of 15th December, 1943, the Government of New Zealand undertook to provide supplies to the Armed Forces of the United States in the South Pacific area by way of Reciprocal Aid. Provision was made in these documents for special conditions to apply to supplies made available for areas outside the South Pacific, but no such conditions have in fact been imposed, and though in the past New Zealand supplies have generally been confined to the South Pacific area, in actual practice substantial quantities of foodstuffs and other supplies have been provided for other areas. So long as New Zealand continues to be the most practical source of supply for foodstuffs and other appropriate commodities, the New Zealand Government will continue to further the common war effort, by accepting requisitions for supplies for United States forces in any part of the Pacific or in adjacent areas involved in the war against Japan.

It will be understood that the ability of New Zealand to meet such requisitions is dependent upon its capacity to do so and in particular upon (a) its obligations and responsibility in other areas; for example, the provision of foodstuffs for the United Kingdom, and (b) upon the continued availability of Lend-Lease supplies from the United States to an extent essential to the maintenance of production without undue straining of the Dominion's resources.

NOTE ON AUSTRALIAN RECIPROCAL AID

1. The U.S. Authorities have requested that Australia should undertake to supply goods and services as reciprocal aid without geographical limitation.
2. The present position is that the Reciprocal Aid Agreement of 3rd September, 1942 between the Australian and United States Governments provides that Australia will furnish assistance, on reciprocal aid terms, to the U.S. forces in Australia or its territories. Notwithstanding the terms of this Agreement, the Australian Government have not, in practice, confined their reciprocal aid within this geographical limit: they have from time to time furnished considerable reciprocal aid to U.S. forces outside Australian territory, particularly to those in the South Pacific and latterly in Hollandia.
3. Australia is providing, as reciprocal aid to the U.S. forces, goods and services to the value of about 20% of her current war expenditure, with heavy consequential sacrifices to the population. These burdens, additional to those imposed by Australia's own war effort, have been spontaneously and willingly accepted, and the U.S. Theatre Commander in the area has expressed himself as being well satisfied with the scale of the reciprocal aid.
4. The Australian Government do not feel able to agree that the terms of their existing reciprocal aid undertakings to the U.S. Government should be revised in such a manner as to impose no limitation upon the amount or upon the area of such aid. They are, however, prepared, within the terms of their reciprocal aid undertakings, to continue to supply to the U.S.

- 2 -

forces as reciprocal aid, within locally accepted programmes, the categories of goods and services which they now furnish. They would also agree that, where for strategic reasons it is necessary to transfer to other theatres supplies which have already been provided to the local U.S. Command, no objection should be raised to the transfer.

5. In addition, the Australian Government are willing, as at present, to examine any further requests, including those for additional areas, which may be made by the U.S. authorities, having full regard to the availability of supplies and to their responsibilities in other directions. They suggest that requests for the provision of supplies, on reciprocal aid terms, for areas outside their existing undertakings, should continue to be referred to them for consideration. They do not, however, think it appropriate that the U.K. Government should be called upon to undertake responsibility for the provision of reciprocal aid throughout the British Commonwealth. They accordingly propose, with the concurrence of the U.K. representatives in Washington, that in cases where the Australian Government feel unable to meet such requests, the question of the financial responsibility be jointly discussed between the Australian, the U.S. and the U.K. authorities.

6. If these proposals are acceptable to the U.S. authorities, it is suggested that the detailed arrangements should be settled by joint discussions between representatives of the Governments concerned.

Washington, D.C.

20th November, 1944.

December 16, 1944
9:49 a.m.

HMJr: Hello.

Operator: Mr. McCloy.

HMJr: Hello.

John J.
McCloy: Hello.

HMJr: How are you?

M: Fine. How are you?

HMJr: Well.

M: Haven't heard from you for a long time.

HMJr: No.

M: Been away, haven't you?

HMJr: I've been back for a week.

M: Have you?

HMJr: But the telephone is still installed.

M: You have a very retiring disposition.

HMJr: That's right.

M: Yeah.

HMJr: Look, you people must get regular reports from G-5 who are in Germany -- what's going on

M: Yes. Yes.

HMJr: Could I see those?

M: Sure. Sure.

HMJr: As they come in?

M: Sure.

HMJr: I'd like very much to.

M: What you ought to do to get a general background, you ought to talk to John Boettiger -- Boettiger.

HMJr: Well, I'm seeing him at lunch tomorrow. Would you mind telling him that he can talk to me?

M: Sure, I will. I'll tell him -- I'll tell him to go the limit. The -- he's just back.

HMJr: Yeah.

M: And he's -- he's got the best -- well, the latest story as to what's going on there. I haven't had a chance to talk to him myself yet.

HMJr: Well

M: I just asked him how things are going and he seemed to be pretty well satisfied.

HMJr: Well, will you tell him that he can talk?

M: I will.

HMJr: And then I'll get the stuff from him.

M: Right.

HMJr: That will be wonderful. And -- but the other -- there must be regular reports coming in.

M: We get -- we get reports by cable.

HMJr: Yes. As I understand this -- whatever they call it -- interim report or whatever the thing we all agreed on over here....

M: Yes.

HMJr: has never been accepted by the English.

M: Well, that isn't quite right.

HMJr: Isn't it?

M: No, that's not right.

HMJr: Has it been accepted?

M: It has not been accepted by the English, no.

HMJr: That's what I said.

M: No, it has not been.

HMJr: I said it -- that's what -- you misunderstood me.

M: Oh, I thought you said it had been.

HMJr: No, I said it has never been.

M: Oh, no, that's right. It has never been.

HMJr: No.

M: And it's now -- it is now being put up to them in a -- in a -- both at the Combined level and at the E.A.C.

HMJr: I see.

M: But they will -- we'll probably have a little difficulty with it.

HMJr: And the English on their own handbook -- what's happened on that?

M: On the English own handbook?

HMJr: Their own Army handbook. You know the one that you and I -- we gave -- you -- I gave a report on it, with your approval, to Lord Cherwell.

M: Oh, that. Well, that's all been revamped.

HMJr: It has.

M: Yes, that's all been -- that's all over the dam.

HMJr: Finished?

M: Finished, done, and out in its new form.

HMJr: Could I see a copy?

M: Yeah, you can get that, and you've seen -- I suppose you've seen also our handbooks.

HMJr: No.

M: Well, you've seen the picture, haven't you?

HMJr: Picture?

M: Yes, you saw the movie.

HMJr: Oh, you mean about fraternization?

M: That's right.

HMJr: Oh, yes. I liked it and I told you.

M: Yeah.

HMJr: But I haven't seen anything else on it.

M: Well, there's the handbook which was sort of a script from which that thing was made.

HMJr: Oh, yes, you did -- you did show me that.

M: That's what I thought.

HMJr: Yeah, I did and it was very good.

M: Okay.

HMJr: Well, you tell John Boettiger, will you, that when he sees me he can talk?

M: Right. I will.

HMJr: And then the other, as the stuff comes in from now on?

M: Right. Right.

HMJr: I'm very much obliged.

M: Now on the -- on the ten, sixty-seven, which is the interim thing which you were talking about....

HMJr: Yeah.

M: we've got to put that into a -- a new form for the E.A.C.

HMJr: Yeah.

M: Because as we drew it, we drew it as a directive....

HMJr: Yeah.

M: to General Eisenhower.

HMJr: Yeah.

M: And it mentions Combined Chiefs of Staff. This would be on a tripartite basis.

HMJr: Yeah.

M: It requires some modification in form.

HMJr: Yeah.

M: I've just about completed that modification with the State Department and I want to take it up with White so that he sees it in the form which will go to the E.A.C.

HMJr: Good.

M: And I think I'll be -- within twenty-four or forty-eight hours, I'll be talking to him about that.

HMJr: I thank you.

M: Okay.

HMJr: Thank you.

December 16, 1944
12:19 p.m.

130

HMJr: See if -- give me Eddie Bartelt if he's in.
Operator: Right.
HMJr: Hello.
Operator: Mr. Bartelt.
HMJr: Yes.
Operator: Go ahead.
HMJr: Eddie?
E. F. Bartelt: Good morning, sir.
HMJr: Good morning. I went out through the Fifteenth Street entrance yesterday and it looks as though the Office of the Secretary of the Treasury wasn't doing so well on War Bonds.
B: I sent you a report yesterday, Mr. Secretary. That board is changed once a week as of Saturday.
HMJr: Yes.
B: The Secretary's office is now up to about 96%.
HMJr: That's more like it.
B: Yes, sir. And I might say that the Treasury Department as a whole is going over the top very well and that is also true of the federal employees generally.
HMJr: But we're up to 96%?
B: You're up to 96% now.
HMJr: I didn't get your report.
B: Yes, sir, I sent that yesterday.
HMJr: You sent one yesterday?
B: About -- yeah, about noon or a little after through Mr. FitzGerald, and I

HMJr: I'll ask -- I never got it.

B: All right, sir.

HMJr: But we're up to ninety-six?

B: You're up to ninety-six now and I think you'll go over all right.

HMJr: Thank you.

December 16, 1944
12:21 p.m.

HMJr: Hello.

Colonel
McCarthy: Mr. Secretary.

HMJr: Speaking.

M: I thought you'd like to know that the speech goes out for release in Stars and Stripes on Monday which is the first edition we have after you make the speech.

HMJr: Fine.

M: So it will hit our papers all over the world on Monday.

HMJr: Fine.

M: The Army papers. Now, we are also beaming it from our short -- Army short-wave stations which are very powerful affairs, destined to cover practically the whole world.

HMJr: Yeah.

M: It's being rebroadcast in its entirety from both New York and San Francisco.

HMJr: Oh, really?

M: Our two big stations.

HMJr: Now, would you mind taking a minute to explain something to me?

M: If I can, sir.

HMJr: I know you can. Now, you say you're doing that -- now, where do you end and where does O.W.I start on a thing like that?

M: Oh, O.W.I. doesn't have anything to do with what we publish to troops.

HMJr: Now, that I know, but on the radio -- now, you say you're doing it from New York and San Francisco -- you have -- the Army has stations?

- 2 -

M: Yes, sir, the Army has its own tremendous short-wave stations at those two places.

HMJr: And then

M: The New York one, of course, to cover the Atlantic side and the other to cover the Pacific.

HMJr: And that's something quite independent from O.W.I?

M: Yes, sir. Now, of course, we wouldn't beam a speech that hadn't been approved by O.W.I.

HMJr: Oh, I know. Now, don't get nervous.

M: (Laughs) No, sir.

HMJr: I know you have your troubles with them and I have mine just the same.

M: Right, sir.

HMJr: No, but I was just curious. I -- I didn't know that you had two radio stations.

M: Yes, sir, we do.

HMJr: Yeah.

M: They are very powerful stations and they're designed especially for the type of receiver that is official with us in the field.

HMJr: Yeah.

M: So that we reach the maximum number of

HMJr: I -- I'm delighted to know it because I have the same troubles that you do over there and I know something about the troubles that you have.

M: We have great tribulations.

HMJr: Well, I do too and that's why I sent this thing to you and that's why I sent it direct to Mr. Forrestal.

M: Yes, sir.

HMJr: And because once they approve the speech, which they have -- O.W.I. has approved it.

M: Yes, sir.

HMJr: But if I wait for them to do something and have a conference over there, it will be next year.

M: Yes, sir.

HMJr: I mean, so to make you feel better because I know.

M: Well, our dissemination of this sort of thing all comes under General Osborne as I mentioned before.

HMJr: I see.

M: He is generally responsible for troop newspapers and for orientation and we might say propaganda material which we get out to troops. Propaganda is an invidious word. I don't like it. But I mean informational material.

HMJr: Now, what you do is you'll pick up my -- you'll have -- what do you do -- you'll pick it up or you'll have the radio station make a record?

M: Well, we can either make it ourselves or have the radio station make it. I don't know what they're going to do.

HMJr: But that -- it's being done?

M: It's being recorded, of course, and the records will be immediately delivered to us.

HMJr: Yes.

M: For rebroadcast over our own personal short-wave stations.

HMJr: Wonderful.

M: And that's the best coverage we have. The troops can always get into those stations.

HMJr: Wonderful.

M: And they're listened to constantly overseas.

HMJr: Now, one other thing: did -- you got the revised version of it?

M: That -- that's the version which we will use, yes, sir.

HMJr: Now, the other thing: do you think beginning with Monday's edition of Stars and Stripes, I could receive it regularly? The overseas edition.

M: Yes, sir. As you know, they are very old.

HMJr: I don't care.

M: They come from every theatre in the world.

HMJr: Well, I just want one. Give me just one -- give me the European.

M: All right, sir. Well, now about the speech. There is this difficulty. It's not quite fair to look at one because we don't know how the different ones will play it. For example, the European Theatre might use it in full.

HMJr: Yeah.

M: Another theatre might, because of pressing matters of the day, find it necessary to -- to excerpt it. So one wouldn't give you a very fair picture. Let me make -- attempt to make a collection

HMJr: Fine.

M: of all the Theatre issues for you of that day.

HMJr: Wonderful. But could I receive regularly -- I don't care -- from one Theatre, the copies right along?

M: Right, sir. We'll do that.

HMJr: You -- whichever you think would be the most interesting Theatre.

M: Right, sir. Well, I think the European would be the best.

HMJr: Fine.

M: For the moment anyway.

HMJr: Fine.

M: All right, sir. I'll get right to work on it,
Mr. Secretary.

HMJr: Thank you so much.

M: Bye.

December 16, 1944
12:26 p.m.

Morris
Ernst: Hello, Henry.

HMJr: Hello, Morris.

E: Fine. Did you have a good time?

HMJr: Had a very fine rest and

E: Swell.

HMJr: feel much better.

E: Well, I'm going to be down on Thursday and Friday.

HMJr: Just a moment, please. Thursday and Friday

E: The only date I've got definite is with Joe Walsh for lunch on Thursday.

HMJr: Well, now one second.

E: And after that, any time you want, and I'll get the other guy.

HMJr: Thursday and Friday -- would you prefer

E: It doesn't make any difference.

HMJr: Well, I'll tell you on account of the other man, I'll give you your choice of either Thursday afternoon or Friday morning.

E: All right, Friday morning at what time?

HMJr: Well, let's say -- and you could let me know Monday if either Friday morning, say, at nine-thirty, or Thursday at three.

E: Thursday at three. I'll let you know on Monday.

HMJr: Will you do that?

E: Right.

HMJr: Thank you so much.

- 2 -

E: If I can't reach him by Monday, I'll let you know.

HMJr: That's all right.

E: All right. Fine, Henry.

HMJr: Bye.

139

12/16/44

Reading copy of Secy's broadcast, from his desk in Washington, closing the Sixth War Loan Drive.

Tonight I report to you on the close of the Sixth War Loan drive - the third special drive this year.

We at home are in the position of trustees. We have a two-fold responsibility. One part of this responsibility is to see to it that the fighting men get everything they need in the way of weapons and equipment and supplies. The other part is to see to it that the economy of this country is kept on an even keel, so that this will remain a land of opportunity for them, when they return.

We set a goal for the Sixth War Loan of 14 billion dollars. | It was a high goal. | It had to be. | ~~That~~ that goal has been met— In fact, when the tallies are all in, I think they will exceed 19 billion dollars.

1437
139

- 2 -

But we had another objective, even more important than the over-all total of the drive - to raise five billion dollars through the purchase of bonds, by, individuals. I am thrilled to be able to report to you this evening that, on the basis of returns already in, it seems clear that this objective also will be fully achieved.

Pause

I derived a good deal of amusement from a Berlin radio broadcast recorded here on December 5th. This is what it said: "Radio New York reports that during the first half of the period allotted to the Sixth American War Loan Drive, only one-fourteenth of the amount to be subscribed has been collected. One billion dollars has been subscribed during the first two weeks of the four-week drive which was to bring in at least 14 billion dollars."

1298
139
1159

- 3 -

All right, Herr Himmler, the other thirteen-fourteenths is now on its way, and will be delivered to you in due course.

The final tally on the Sixth War Loan cannot be completed until the end of this month. This, is because millions of workers, who authorized their employers to deduct money for bonds out of their pay envelopes, will not complete their payments until the last pay day in December, and because it takes time to inscribe and report to the Treasury, the bonds purchased in the thousands of sales outlets in rural communities and distant places. //H

Among the distant places where bonds were sold in great numbers, are the bases and battle lines of our armed forces overseas. Yes, our men in uniform are bond buyers, too.

- 4 -

During the past twelve months they have bought just about one billion dollars worth of war bonds.

These men in uniform will want to know, something about the spirit in which this bond drive at home was carried through to its successful conclusion, by the men and women in the mines and shops and mills and offices and farmhouses of America. They are entitled to know how well the home front is living up to its responsibilities.

More than 50 per cent of all E bonds - the bond which most individual investors buy - are sold to men and women at their places of employment.

1030
104
926

In these places more than 23 million workers who buy bonds regularly, month in and month out, joined the Sixth War Loan campaign for the purchase of extra bonds. Drives were organized in more than 150,000 separate plants. And all over the country, labor unions and employers worked together as a team to reach, and exceed, the quotas in their particular establishments.

It wasn't altogether easy for the civilian public to reach the high goal we set in this Sixth War Loan. As I have already noted, this was the third special appeal this year. And it came, of course, on top of the regular bond buying done in accordance with pay roll deduction, and monthly purchase plans.

Virtually every person with income in the United States had to share in the program in order to raise the five billion dollars worth of individual subscriptions.

The record, I think, is the best testimony that Americans at home could offer as to the devotion and spirit, with which they are backing up the men on the battle fronts. // 2

It is testimony also to a magnificent unity and cooperation at home. The tremendous job of selling War Bonds, was performed, almost entirely by a great army of volunteer workers in every part of the country. They made it their business to talk personally, with nearly every citizen, either at his home or at his place of work. They collected funds, issued bonds and did the hard work of accounting.

That work is still going on, and will have to be continued faithfully throughout this month, in order to get all the reports of bond purchases filed with the Treasury by December 31st.

I think it is a fact worth noting, that the promotion cost to the Federal Government for every thousand dollars raised in the war bond program, amounts to ^{only} 18 cents!

This is because the sales force, is composed almost entirely of volunteers, and because the tremendous promotion effort carried on in connection with the bond program was contributed freely by advertisers and advertising agencies, by newspapers and MAGAZINES and radio stations, by theaters, stores, banks, clubs, labor unions, chambers of commerce, and all the various civic associations that make up the vast mosaic of bond activity.

They have given more than money to this drive.

They have given imagination and energy, and devotion.

One of New York's Fifth Avenue department stores, for example, for an entire day, at the height of the Christmas shopping season, offered for sale only one kind of merchandise - war bonds. Another great store, in Atlanta, did the same thing for two days running. Theaters, and moving picture houses have given innumerable special performances, to help the sale of war bonds; stage and screen stars have generously devoted time and talent to the program. The broadcasting network, over which I am speaking, tonight, has turned over its facilities continuously, for the past 13 hours, exclusively, to the war bond campaign.

549
118

- 9 -

These, are but samples of the varied ways in which Americans of every trade and profession have pitched in and teamed together on the home front.

Pause

There has been some stupid and dangerous talk of late that civilians, over here, are defaulting on their obligations to their fighting men. This Sixth War Loan is a concrete answer to such nonsense. $\frac{3}{4}$

The whole drive, has been a magnificent demonstration of home-front solidarity - of real determination, on the part of American civilians, to carry out in full measure their responsibilities in the war effort. It should carry to the men overseas a ringing declaration of unlimited confidence and unstinted support.

431
108

Pause

It happened that this drive coincided with the launching of the war's greatest offensive in Europe, and with the beginning of a major effort to liberate the Philippine Islands from Japanese conquest. The buying of war bonds was one direct way, in which we could share in these great engagements. We at home know well, that hard and bitter battles lie ahead. For us, there will be other war loan drives after this one. We shall see them through.

And just as the fighting forces, day after day, must continue their relentless pressure on the enemy, we at home, need to stick steadfastly at our production jobs, and to meet each month our regular, bond buying obligations.

323
117

This Christmas shopping season, affords a particularly significant opportunity for Americans here, to join hands directly with the men overseas. There may not be much Christmas celebration for them, this year. But we can help them celebrate, by buying war bonds in their names. No other gift, within our choice, whether to those we love in distant places or to one another, here, can convey so much assurance of our faith in them and in the cause to which they are giving such high devotion.

Pause
We, at home, understand that this war is not yet won - that it will not be won, until unconditional surrender has been wrested from desperate and stubborn enemies.

206
113

- 12 -

We shall not fail or falter until that time has come.

There need be no doubt on this score among the men

in combat. The Sixth War Loan has carried to them

an expression of the way we think and feel. I believe

it will hearten and ^{encourage} ~~inspire~~ them. I believe, it will

tell them, better than any words we could employ, that

we recognize the magnitude and splendor of the task they

are performing. I believe it will renew their

certainty that all that we possess, is pledged to meet

their needs!

December 16, 1944

Mr. Isadore G. Alk,
Office of the General Counsel.

Sir:

You are hereby promoted and appointed to the position of Chief Counsel of Foreign Funds Control, PAS-8, with compensation at the rate of eight thousand dollars per annum, payable from the appropriation "Salaries and Expenses, Foreign Funds Control, 1945," effective December 16, 1944.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

DEC 16 1944

Dear Dr. Soong:

I was glad to receive the message which you sent to me with Mr. Friedman, my former representative in Chungking. I am, of course, pleased to learn that you are so hopeful that the situation in China is changing for the better.

I would like to take this occasion to congratulate you on your new post. I know that you will use your influence in the Chinese Government to bring about and solidify the unity of the Chinese people in the war against Japan and that you will do all possible to further the cause of Sino-American friendship.

Thank you for your kind interest in my family. Mrs. Morgenthau and myself are quite well. I do hope that you are enjoying the best of health. I am looking forward to seeing you during your contemplated short visit to the United States and do hope that by that time China will have happily passed through the grave crisis with which she is now confronted.

With best wishes for the New Year.

Sincerely yours,

(Signed) Henry Morgenthau, Jr.

Secretary of the Treasury.

Dr. T. V. Soong,
Minister of Foreign Affairs,
Chungking, China.

ISF/efs 12/16/44

White

MINISTER FOR FOREIGN AFFAIRS
REPUBLIC OF CHINA

17th November 1944

Dear Mr. Mayanthen,

I take the opportunity - of Mr. Friedman's return to send you a personal word. The last twelve months have been a year of considerable difficulties both for China & for myself. Not the least cause of the frustrations has been the personality of the former U.S. Commander here, whose post during the time of war inevitably became that of the real representative of your country in China. Now that he is removed I do not wish to cast the slightest aspersion on his qualities as a fighting man or his genuine desire to help win the war against Japan, but his temperament and his approach has been such that it was for a long time impossible for the generalissimo to get along with him. As a result relations have soured all around.

I like the new man, because although most-
ally + determined, he is tactful + understanding.
I feel that from now on it will mean a decided
turn for the better in every way. I want you to
know this because you are the one friend, who
has stretched out his neck for us every time.

My wife writes that you + Mrs. Morganthau
have been very kind to her. I am so glad to learn
that Mrs. Morganthau is completely well, for a long while
we have been greatly concerned over her health. I
also hope that you continue to have good news from your
sons.

I miss my American friends greatly +
hope before long to make a short visit to the
States. With kindest regards to you + Mrs. Morganthau

Very Sincerely
T. V. Lowry

Treasury Department
Division of Monetary Research

155

Date December 16, 1944 19

To: Secretary Morgenthau

Attached hereto is suggested reply to message to you from General Chou En-lai, one of the three principal Chinese Communist leaders. I have some doubt as to whether it would be appropriate to send a written reply to his message and suggest that Adler ask General Hurley in Chungking whether or not he feels it would help him to have this letter sent to General Chou En-lai and to act on the basis of Hurley's recommendation.

H.D.W.

MR. WHITE
Branch 2058 - Room 214-1/2

156

File to Mr. Hugh 12/16/44
Mr. Adler is to deliver
in person.

DEC 16 1944

Dear General Chou:

This is to thank you for the kind invitation to send my personal representative in Chungking to visit Yen-an.

I appreciate your willingness to invite responsible American officials to investigate for themselves conditions in the border regions,

I need not say that the utter defeat of Japan is in the interests of all the United Nations as well as my own country and that it is a cause to which my Department and myself are constantly striving to make the greatest possible contribution.

With best wishes for the New Year.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

General Chou En-lai,
Yenan, China.

ISF/efs 12/15/44

Ret to 5323

DEC 16 1944

My dear Mr. Minister:

This is to extend my congratulations to you on your appointment to the position of Minister of Finance. I am sure that your Ministry and my Department will continue to have the cordial relations which have always existed in the past.

With best wishes for the New Year.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

**Honorable O. K. Yui,
Minister of Finance,
Chungking, China.**

ISF/efs 12/14/44

DEC 16 1944

Dear General Wedemeyer:

Allow me to take this opportunity to extend my congratulations to you on your appointment to the post of Commanding General of the China Theater. It is well appreciated what a difficult and important assignment you have been given at this critical time.

As you know, we have concluded our negotiations with Dr. Kung with respect to U. S. Army yuan obligations in China. In addition to agreeing to the payment of \$210 million in settlement of all U. S. Army obligations incurred up to September 3, 1944, it was agreed to have quarterly adjustments and settlements with regard to yuan obligations of the U. S. Army incurred after September 30, 1944. I have instructed Mr. Adler to give you all the details of the negotiations in which you might be interested.

I have also instructed Mr. Adler to make himself completely available to you in connection with the problem of payment for our expenditures in China and with regard to any other financial matter of concern to you.

With best wishes for the New Year.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

General George C. Wedemeyer,
Commanding General,
China Theater,
U. S. Army Headquarters,
Chungking, China.

ISF/efs 12/14/44

DEC 16 1944

My dear General Hurley:

I was very much interested in the message from you which Mr. Priedman, my former representative in Chungking, brought back with him. I was very glad to receive your views on the current situation in China and to hear that you were hopeful that some workable solution will soon be found to the grave problems which confront China.

I need not say what a feather it would be in your cap if you were instrumental in bringing about political unity in China which would be the basis for the more effective participation of China in our common war effort. I do hope that you succeed.

The Treasury, of course, will do all possible to support and implement the policy which you are endeavoring to carry out. I have so instructed Mr. Adler. Incidentally, he will be able to give you all the details of the financial negotiations with Dr. Kung in which I am sure you will be interested.

I have also instructed Mr. Adler that, if at any time he feels it necessary to return to Washington for consultation, he may do so without awaiting instructions from me. I would appreciate very much if such occasion arises that the Embassy do all possible to expedite his departure. Mr. Adler may also have to go to India from time to time to discuss financial matters with the Government of India authorities at New Delhi.

With best wishes for the New Year.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

General Patrick Hurley,
Ambassador to China,
American Embassy,
Chungking, China.

ISF/ots 12/15/44

ABRAM I. ELKUS
40 WALL STREET.

NEW YORK CITY

December 16, 1944

Personal and Private

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

Dear Henry:

I congratulate you on your success in raising such an enormous sum of money to be covered by the Sixth War Loan.

It was a real achievement to raise such a large amount in so short a time with the war going on for three years or more.

I read an article in December Harper's entitled "The Future Strength of Germany" by Cary Byers and at the beginning of the article appears:

(Cary Byers is the pen name of a Washington official who conceals his identity lest his personal ideas be taken to be those of his department)

I suppose you can easily find out who he is.

Reading that article makes me believe much more than I had hitherto that your plan to make Germany largely a farming country is sound. It depends on who the writer is. He writes like a German expressing his views.

I call your attention especially to Par. V, Page 56, of the article, part of which I quote:

"Cutting German power down to manageable size will be, in spite of two wars, an undertaking unpopular in many quarters. The German public can be expected to resist and oppose such a program. Acquiescence in it would undermine the popular support of any German government"

It sounds like a German and appears to be boastful, but the end of the article appears to be the gist of the whole thing, and it reads as follows:

"Germany will keep trying, however, just as long as the gap remains between her underlying power and her political position. The stakes are high and the risks will not be too great as long as Germany retains, as she did in 1918, the ability to try again"

His conceit is overwhelming.

With kindest regards and best wishes of the Season to Mrs. Morgenthau and yourself, I remain

Cordially yours,

Abram S. Siskup

Cary Byers is the pen name of a Washington official who conceals his identity lest his personal ideas be taken to be those of his department.

THE FUTURE STRENGTH OF GERMANY

CARY BYERS



THIS peace can be lost, as the last one was, by failure to understand the real nature of Germany's strength. Those elements of German power which will remain after unconditional surrender are sufficient to continue Germany's power superiority over her neighbors. The well-spring of German aggression will not be found in any peculiar German psychological or political characteristics. National aggression in Germany, as in other nations, is nearly always an effort to make explicit in political institutions a relative power superiority already in existence.

Germany after defeat will present such an abject picture that it will be easy to underestimate the power that remains and the obstacles that lie in the path of further reducing that power. Plans for stripping Germany of all industry and returning her to a peasant status are dangerous because they cannot be carried out. Among the effects of such a program would be the starvation of at least half the German population and the ruin of Europe, of which Germany is the economic hub. On the other hand, it is equally dangerous to assume that Germany's threat to world peace is ended merely by the destruction of the Nazi party or by the creation of a world organization to enforce the peace.

It is the purpose of this article to suggest that in addition to the elimination of the Nazi party and the creation of a world peace organization, it will be necessary to

reduce Germany's *relative* strength. This can best be accomplished by building up, at Germany's expense, in other European countries heavy industrial capacity such as steel, chemicals, electric power and equipment, and transportation.

THE fate of any world organization to maintain peace depends on co-operation among the United States, Russia, and Great Britain. Obviously Germany cannot hope to attain sufficient power to overcome a coalition of these three nations. The real test is whether Germany, after enforcement of the peace terms, will retain sufficient strength to disrupt the coalition. After unconditional surrender, Germany will still be among the five strongest world powers. Occupation, demobilization, and disarmament will not automatically set in motion a long-range deterioration of Germany's national assets. Unconditional surrender merely presents the opportunity for a redistribution of the elements of national power in Europe. If such a redistribution is not achieved we may look forward to these alternatives: either an independent Germany will again predominate in Europe west of Russia, or Russia will feel forced to step in and control Germany. Either eventuality would destroy the coalition of the United States, Russia, and Britain, and probably would be considered a threat to the safety of the United States.

Page 165

taxes out - not part of

this article

OSD 67-1945

Why and how Germany disturbs the peace of the world is usually discussed in political and psychological terms such as "Kaiserism," "militarism," "Prussianism," "Nazism," "fanaticism," "inferiority complex," "guilt complex," and "paranoia." These colorful diagnoses ignore a more fundamental cause of disorder: Germany's war potential is much greater than that of any other European country west of Russia and of any practicable combination of European countries including Great Britain but excluding Russia. Even a European coalition including Russia, Great Britain, and France will not clearly exceed Germany in strength.

In order clearly to surpass Germany in strength a coalition must contain the United States. But the military pressure which this country exerts on Europe is very uneven because it requires an all-out American effort to place major forces on the Continent. In September, 1944, General Marshall announced that the United States had sixty divisions "in combat" after nearly three years. Germany once maintained five times that number "in combat" on the Eastern Front alone.

American power is crushing when fully applied but it is not readily maneuverable over a long peace period. It does not lend itself to quick shifts and limited application. It cannot be exerted at its full force without strong allies on the Continent as well as in Britain. These characteristics of American influence in Europe create a special United States interest in a relatively stable Continent in which we will not be required intermittently to bring major military forces to bear.

NEITHER the United States nor Britain nor Russia nor France will have anything to gain in the foreseeable future by disrupting the European peace. Germany will. German policy is certain to be directed toward domination of her weaker neighbors if Germany retains her present relative strength as compared with them. The interest of the United States therefore calls for a reduction in German strength that cuts deeper than demobilization, disarmament, and superficial economic penalties.

For if Germany, although disarmed, is still potentially the foremost nation of Europe it may have a strong enough bargaining position to achieve rearmament. That was how Germany rose between 1918 and 1939. Such an explanation fits the facts much more closely than those which attribute the rebirth of German power to British stupidity, or French corruption, or Russian duplicity, or American indifference. Whether, in political terms, the Versailles Treaty was too soft or too harsh, it was clear even in the early nineteen-twenties that the treaty had left essentially unimpaired the main base of German strength.

This persisting, underlying German power was recognized both by Germans and by the rest of the world. The smaller nations of Europe recognized it when they began to break away from the system of alliances which France attempted to construct. The French and the Russians recognized it in 1933 when they dared not intervene, without the support of Britain and the United States, to halt an announced German resurgence. Russia and France at that time had the first and second armies of the world and German rearmament was only slightly advanced. Even so the latent German strength that lay beneath the small German army was enough to deter Russian-French action. The British likewise recognized Germany's pre-eminent strength in Europe in the nineteen-twenties when they looked to a disarmed Germany rather than to an armed France as the main Continental buckler against Russia. And Germany's power was recognized in the United States, too, in the nineteen-twenties by a loan policy which considered Germany a better risk than other European countries.

II

WHAT is the basis of the German power which existed before the last German rearmament and which, unless we deliberately and systematically destroy it, will exist again after the coming German disarmament?

The elements that make up continuing German strength may be summarized as follows:

1. The heavy industry of Germany towers above the heavy industries of other European countries west of Russia. It is twice as large as that of Great Britain and larger than that of Russia. German heavy industry is supported by the best transportation system in Europe, a level of scientific training and industrial technology easily the first in Europe, and the largest pool of skilled labor in Europe.

2. The German language group is twice as large as any other in Europe, except the Russian. The overwhelming majority of the people in this language group feel a high degree of national and "racial" solidarity. Most of the fissures which formerly divided it on regional lines have closed rapidly in recent years.

3. Germany's geographical position is highly advantageous for both commercial and military purposes.

4. The German military tradition is unexcelled in Europe. After surrender there will be about five million veterans of the German army, who will be able for a time to carry on this tradition even though military organization and military exercises should be forbidden by the peace terms.

5. German administrative and organizational skills are unequalled in Continental Europe.

None of these factors is affected by unconditional surrender and none of them can be eliminated directly and immediately by the terms of peace.

THE relative size of the German language group can scarcely be reduced within a generation by any action the United Nations will take.

It is suggested that political dismemberment will offset Germany's numerical superiority, but this seems to be debatable. Germany has been welded together by the victories and disasters of two great wars. It is worth noting that separatist tendencies within Germany between 1918 and 1933 were less strong than many observers had expected. The popular picture of Bavarians and Saxons herded or tricked into war by Prussian masters is belied by the war morale record of non-Prussian German soldiers and civilians, by the conspicuously non-Prussian leadership of

the Nazi party, and by the party's sharp ideological departures from traditional "Prussianism." Differences of regional background and culture within Germany today are probably not much more important than they are in the United States. Proposals to dismember Germany into three or more states are politically feasible in the sense that the victor nations have the power to set up such states and, so long as the victors can maintain direct pressure, to prevent their political reunion. The moment, however, that such enforcement should cease or falter the German states would be capable of coalescing almost overnight. What we seek are changes to be made during the period of occupation which Germany cannot quickly erase when the direct pressure ends.

Germany's geographical advantages can be diminished but will not be harmed essentially by boundary changes. Germany lies in the center of the northern, more militarily important part of Europe. An alliance of any majority of Germany's immediate neighbors is hampered because main communication lines between them run through Germany.

The assets of military tradition and administrative skill cannot, short of mass executions, be affected within this generation.

THAT leaves the relative strength of German industry as the factor most susceptible to reduction by the peace terms and policies of the United Nations. Lack of understanding of the paramount importance of German industrial predominance in Europe is a serious handicap to any action along this line. Equally serious is the fact that policies designed to end the pre-eminence of German industry run counter to other policies and tendencies in the United Nations.

Because many students of the European economy place undue emphasis on raw materials, comparisons of German economic war potential with that of other nations are often misleading. Germany's position in essential raw materials, except coal, is rather weak. But this weakness has been much less important in World War II than in World War I. The difference is accounted for partly by stockpiles, partly by the greater area of Europe con-

trolled by Germany in World War II, and partly by a planned German effort toward autarchy, especially in foodstuffs. All of these factors together, however, are not as significant as the role of science in compensating Germany's raw material weaknesses. Chemistry, "the science of substitutes," is still advancing at a pace that gives us every reason to believe that flaws in national strength based on lack of raw materials will continue to decline in importance. The one kind of object a contemporary soldier doesn't use is a "raw material." His weapons, his clothes, even his food are processed. Obviously, war industry today still needs a tremendous range of raw materials, but processing capacity is a better measure of a nation's ability to support war.

THE two most convenient indices of industrial capacity are steel and electric power. Germany has a steel ingot capacity of 25 million tons a year; the U.S.S.R. has 20 million; Great Britain, 13 million; and France, 10 million. Postwar Germany will probably have nine immediate neighbors, Denmark, Holland, Belgium, Luxembourg, France, Switzerland, Austria, Czechoslovakia, and Poland. Germany's steel capacity exceeds the total capacity of these nine. In installed electric power, Germany's capacity is double that of Britain and much larger than that of France. It is only slightly less than the total capacity of Germany's nine future neighbors.

Nor do even these rough comparisons as a measure of Germany's industrial strength tell the whole story. There are other facts to be borne in mind. For instance, the French steel position is not, for war purposes, as good as it looks because almost half of French capacity is basic Bessemer, which is not armament steel. The heavy industries of Germany's other eight neighbors are not severally large enough to form the bases of complete war industries. Since they are not integrated with each other, their actual total of industrial strength is much less than the sum of the parts.

When we examine the *net* production available for war in various nations, Germany's position appears even stronger.

A country can use for war what remains after the essential needs of its essential inhabitants and of its productive plant are satisfied. These needs differ very sharply from country to country. The Russians obviously have succeeded in using for direct war purposes an unprecedented proportion of their total production. In the immediate future, however, any further large-scale advance in the U.S.S.R.'s heavy industrial capacity will require a large investment of steel and other products in replacement or new plant construction, especially in transportation.

The position of the British Empire vis-à-vis Germany shows why it is necessary to deal in terms of *net* productive capacity available for war. Britain draws upon the resources of her Empire, but in payment for those resources the products of British industry are spread thin. The Empire adds an additional 3 million tons of steel capacity to the United Kingdom's 13 million. These 16 million tons must serve the economies of countries and colonies containing 500 million people. The per capita requirements of the Empire for heavy industrial products do not, of course, equal Germany's per capita requirements; yet out of the British Empire's 16 million tons of annual steel capacity must come the shipping to maintain the essential trade of the Empire, and the steel needed for the ports and railways not only of the United Kingdom but also of the Dominions, the colonies, and India. The British Empire must use a larger proportion than Germany of the basic industrial products available in order to maintain the basic economy itself. With what remains of the Empire's 16 million tons of steel a year Britain must maintain the navy that holds the Empire together. Britain's steel is distributed over the seven seas and over the maintenance and defense of a land area 75 times as large as Germany. Thus a much higher proportion of Germany's industrial product than Britain's is available for war in Europe. Expressed in terms of annual steel capacity available for war in Europe, the industrial potentials of the British Empire and Germany are related more nearly as 8 to 25 than as 16 to 25.

Sixty years ago the British Empire had

nearly half the industrial war potential of the world. Today it has less than 10 per cent. That is a rapid decline—and it took place in the face of increased British commitments outside Europe. Slowly rising power and rapidly rising nationalism among the peoples of Asia are almost certain to tie down a greater and greater part of Britain's decreased strength.

France will come out of this war much less strong than in 1918. Her empire will have a hard task to restore the prestige lost through defeat, occupation, and subsequent confusion. During the four years of German occupation the French industrial plant has undoubtedly suffered heavily. Although it is probable that not many plants were actually moved to Germany, there is no chance that the Germans kept the French production plant up to date. Such modernization and expansion as the Germans undertook was in Germany and Austria rather than in France, the Low Countries, or the Balkans. Moreover France, which entered the last period of peace with the world's largest army, will enter this one almost as disarmed as Germany.

The decline of Britain and France in the European power equation weighs heavily against certain inferences concerning Germany which have been drawn from the rise of Russia. The U.S.S.R.'s industrial capacity and military power have risen so rapidly that many people believe Germany's relative power after this war will be much less than in 1918. But in fact, from Germany's viewpoint the rise of Russia is balanced largely by the decline in the power of Britain and France. The combined superiority of Britain, France, Russia, and their reliable European allies over Germany will not be much, if at all, greater than it was in the early years of the last armistice.

THERE is in some quarters a tendency to assume that bombing and other war damage will have destroyed such a large proportion of German industry that Germany will no longer be the dominant industrial power in Europe. Only a post-war survey can determine the bomb damage to Germany, but any careful newspaper reader knows that it has not

been as great as extremist airpower enthusiasts had hoped. Much of it has been concentrated on plants making aircraft and other finished weapons. Although there is no doubt that very extensive damage has been done to such plants, the rate of recuperation seems to have been amazingly rapid. In the post-hostilities period recuperation from war damage to plants making finished products might be at least as rapid as under the strained conditions of all-out war. In addition to the bombing of plants making finished products, there has been serious damage to some German basic industries, including steel. The rate of recovery in such industries will be much slower. At the end of the war German (and Russian) actual steel capacity will be less than the figures given above. It is almost certain, however, that Germany's losses through war damage will be less than Germany's losses under the Versailles Treaty, which gave to France areas containing a third of Germany's steel industry and neutralized the Saar for fifteen years.

Germany quickly made up its industrial losses of the last peace by rationalizing remaining German industry, and a similar and perhaps greater opportunity awaits Germany in the coming peace period. German production methods before 1941 were inefficient by American standards. Under stress of an acute manpower shortage Germany seems to have learned de-skilling of industrial processes and other mass production techniques without which she could not have maintained her production through 1943 in spite of bombing and the repeated comb-out of skilled workers from her factories. Such a change in German production methods might go a long way toward compensating for all the physical damage wrought by bombing. In any case, the fate of German industry will be decided by the peace, not by the war.

III

A NUMBER of economic measures have been proposed in relation to German peace terms. These include:

1. Abolition of German "war industry"
2. Surveillance and temporary control of certain other industries

3. Reparations
4. Stimulation of German prosperity to encourage and support a peaceful, democratic Germany.

There are many standards by which these proposals can be judged. The following comments are confined to only one standard—the effect of the measures proposed on Germany's relative strength.

PLANS for the abolition of German "war industry" boil down to prohibitions against the manufacture of weapons and aircraft. It is easy to exaggerate the effect of such restrictions on a nation's ability to prepare for war. War industry is not a separate activity with its own machinery, its own technology, and its own skilled labor pool. The ability to make aircraft is the ability to fabricate aluminum and make internal combustion engines. The ordnance industry is the steel industry plus the chemicals industry; a tank factory may be a locomotive works; a submarine assembly plant is any shipyard.

This point ought to be clear enough to Americans, who developed between 1939 and 1943 an output of arms overshadowing that of the rest of the world. American arms production was brought about by the conversion of American peacetime industry, not by the expansion of the American armaments industry which existed in 1939.

During the occupation period and perhaps even for some time thereafter it would be possible to enforce a prohibition against the manufacture of weapons, including aircraft, in Germany. But whenever such direct surveillance and enforcement ceased, Germany would be in a position to organize the construction of weapons, including aircraft, as rapidly as America converted to arms production. To develop a large steel or chemicals or machine tools industry is a matter of years or decades for a country which lacks these basic industries. To a country that has the basic industries, however, the organization of facilities to construct finished weapons may be a mere matter of months.

Arms in being at the beginning of hostilities are of much less importance than the ability to manufacture arms during hostilities. Germany's neighbors will not

judge Germany's strength by the inventories of German arsenals but by the potential output of German industries. It was on that basis that they appraised Germany's strength in the nineteen-thirties. Prewar stocks of weapons, and weapons acquired by the conquest of other countries, have made only minor contributions to meeting Germany's huge arms requirements since the invasion of Russia. Published United Nations estimates of German aircraft losses, reserves, and output for the past two years, for instance, make it plain that the Luftwaffe has been largely dependent on current production.

These considerations do not, of course, weigh in favor of permitting Germany to manufacture weapons and aircraft. They merely cast doubt on the long-range efficacy of restrictions in crippling Germany's power.

THE chances for more fundamental measures for controlling Germany's economic war potential have been carefully examined by Harold G. Moulton and Louis Marlio in *The Control of Germany and Japan*. They recognize that controls must reach deeper than arms production, but they find insuperable difficulties in the way of enforcing controls in all but a few industries, such as alloy steels, aluminum, and electric power.

The difficulties of "policing" German industry can scarcely be exaggerated, but their nature can be misunderstood. It would be relatively easy to detect major violations of restrictions upon German "peace" industries, and this would not involve impracticable numbers of industrial control officers. The bulk of raw materials and products, the widespread ramifications of industrial processes, the virtual impossibility of concealing plants, the large number of workers required, expose to scrutiny all major industrial activities. Detection, however, is only one phase of police work. The "influence" of the criminal with authorities ultimately responsible for law enforcement is a method of evasion as familiar as concealment.

Police controls in all fields are designed to operate against individuals and groups whose power is in no way comparable

to that of the enforcing authority. Whenever any criminal group acquires resources or numbers or support remotely approaching that of the enforcing authority, paralysis descends on the latter, and persists until the power of the criminal group is broken by means almost invariably outside the normal course of police work. No matter how cohesive the coalition of the victor powers may be, Germany is too strong to be handled within concepts of police "control." The German power must be broken or else the "police" will be called off as the French were called off from the Ruhr.

If Germany remains the production center of Europe it will have very effective levers for exercising influence. Non-German producers of raw materials for German industry and consumers who depend on German production are influential with their own and other governments. They will be at the mercy of production stoppages or other pressure techniques within the power of Germany. Surveillance and attempted control of key German "peace" industries may be useful and necessary as part of a general plan to decentralize German heavy industry, but such methods cannot by themselves go far toward eliminating the German threat.

IV

REPARATIONS offer a direct and obvious method of decentralization. Reparations can, however, have the opposite effect. Everything depends on what the reparations are intended to accomplish.

A large part of the public of the United Nations believes that "Germany must pay for everything that has been destroyed." Others, including most economists and political leaders, reply that this is impossible because it would involve the economic and political enslavement of Germany for generations. They will propose that reparations be compressed into a brief period, say five years, and that the rate of reparations during that period be not too high to prevent Germany from having a tolerable standard of living. Recognition of the force of this argument will probably result in a compromise, which will seek the maximum reparations

that can be extracted in a brief period without destroying German standards of living.

But such a policy may affect the kind of reparations imposed. The way in which Germany could give its victims the maximum value at minimum cost to German living standards would be to pay its reparations in consumers' goods produced by German industry and in semi-finished industrial products which could be fabricated into consumers' goods by the light industries of other countries. This is unquestionably the most "efficient" form of reparations. It would not, however, reduce the German economic predominance in Europe. At the end of the five-year period under such a plan the French would have more automobiles, the Yugoslavs more shoes, and the Norwegians more radios. But the Germans would still have the superiority in heavy industrial capacity which they now possess and the power of Germany in comparison with that of its neighbors would be about what it was in the nineteen-thirties.

ANOTHER form of reparations has been proposed: the export of German labor to victim countries. German workers would be moved physically to Russia, Poland, France, etc., and would rebuild the roads, bridges, and houses they had destroyed. This is the least efficient form of reparations, as it makes no use whatever of the German industrial plant and very little of German technical skills. When the reparations workers returned to Germany they would resume, presumably somewhat the worse for wear, their more productive jobs in what would still be the center of European industry.

A third form of reparations might be in raw materials. In practice most of such payments would be in coal. They would have an immediate effect of limiting German output, but they would not necessarily affect Germany's relative productive capacity, unless extended over a ten- to twenty-year period and used to subsidize new or expanded heavy industries, especially steel, in other European countries.

There would be a certain poetic justice in forcing Germany to pay reparations by exporting consumers' goods, labor, and

raw materials, because these are, in the main, what Germany exacted from the conquered countries. Poetic justice, however, will not alter power relations. Reparations, if they are to aid in redistributing power in Europe, must take from Germany precisely what Germany did not take from its victims—basic industrial capacity.

BUT reparations might take still another form which would have a profound effect on Germany's basic industrial capacity in relation to that of her neighbors. *They might be paid mainly in capital goods, such as metallurgical plants, chemical manufacturing facilities and patents, machine tools, heavy electrical and transportation equipment. Such a plan, if firmly enforced and correlated with other measures to stimulate industrial production outside Germany, would increase the war potential of non-German Europe.*

It would require a fifteen-year rather than a five-year reparations period. In fifteen years Germany, without cutting living standards down to subsistence levels, could produce for reparations export much more capital equipment than all Russia was able to produce in the two decades between wars.

Many industrial installations can be physically moved out of Germany. Emphasis, however, should be placed on reparations export of new machinery able to compete with the best German equipment. Sharp restrictions on new plant and equipment in Germany for a fifteen-year period, without reference to superficial distinctions between "war" and "peace" industries, would logically complement such a reparations policy.

NO DOUBT such a reparations policy runs counter to efforts to achieve the most "efficient" economic organization of Europe. More goods will be produced in Europe in the next decade if the center of European industry is left where it is and expanded as rapidly as possible. This concept of the most "efficient" international distribution of processing capacity seems to be somewhat deeply embedded in some American official thinking. The extra distance which German coal and Swedish iron would have to travel to reach French mills rather than

German is considered a barrier to any fundamental redistribution of the European steel industry. But without "artificial" measures, Germany's present advantages cannot be offset. Such "artificial" measures are well within the power of the United Nations to impose; and if they are enforced over a period of years, the resulting growth of non-German industry in Europe may be depended on to minimize Germany's relative power for a long time.

As to the argument that Europe can achieve maximum total production only by centering it in Germany, it is worth noting that the mere retention by Germany of predominant processing capacity is no guarantee of maximum production. Never has German industry produced at a rate near capacity, except for war. Germany, starting in 1939 with little "fat," has for five years devoted more than half its productive capacity to war purposes and still maintained a tolerable living standard for its people. A more realistic "efficient" economic organization of Europe would underwrite, by reparations and other "artificial" measures, higher-cost heavy industries in the non-German nations which would be more likely to produce for peace and which would then be better able to restrain Germany.

REPARATIONS alone will not be sufficient to decentralize European industry. Certain sacrifices on the part of the principal United Nations will also be required. If Russia, for instance, manifests an unduly expansionist attitude in the post-hostilities period, the forces in Britain and the United States most sensitive to the Soviet "threat" will demand a strong Germany. If Britain pushes for European markets at the expense of the initially weak industries of non-German states, Britain's own future political security will be thereby undermined. On the other hand, if the United States aggressively enters present British markets, Britain, in order to live, may feel bound to take the political risk involved in a Continental trade drive that may stifle the growth of industry in non-German countries.

The positive assistance of the great

powers, especially the United States, will be required to support a program of building up non-German European industry. Europe's requirements for outside postwar relief, for instance, will be larger if Germany pays reparations in capital goods than if Germany supplies consumers' goods to victim countries. If we make the reduction of German power our chief objective in the peace terms, then the additional relief cost will fall on us. United States government loans and perhaps other indirect subsidies will be needed to foster and protect non-German industries in their "uneconomic" effort to compete with German producers. The price of such support will be high, unless it is considered in terms of the cost of another war, which we risk by leaving Germany's neighbors at her mercy. We have a choice between spreading the cost to us of a stable Europe over the years of peace, or else of intervening, once a generation or oftener, to thwart by all-out war the political organization of Europe under German leadership.

V

CUTTING German power down to manageable size will be, in spite of two wars, an undertaking unpopular in many quarters. The German public can be expected to resist and oppose such a program. Acquiescence in it would undermine the popular support of any German government. For that reason it will be repugnant to those Americans and Britons who place their chief reliance for a peaceful Europe upon a Germany that is prosperous, democratic, self-respecting, freed from guilt and inferiority, content to walk peacefully forward with its neighbors in abiding friendship.

The Americans and Britons who make this psychological approach to the German problem make much of the fact that the Peace of Versailles presented German ultra-nationalists with arguments against the "harsh" Allied terms, and that these arguments were strikingly effective with the German masses who were suffering from the effects of economic depression. From this they draw the conclusion that the peace terms must, above all else, avoid

presenting the same or similar arguments to future demagogues, and that happy, prosperous Germans will not listen to fanatic appeals leading toward aggression.

But it was, of course, a happy, prosperous Germany that went to war in 1914, with the support of democratic Socialists and moderate Centrists. In the period between wars, every indigenous German political party supported an expansionist policy. The party with the most aggressive policy obtained the most popular support. German aggression in international relations is not a creature of the Nazi party. The party rather is an expression of a deep-seated, though not necessarily ineradicable, national will toward dominance of Europe. It is probably incorrect and certainly useless to think of this German power drive as "mass insanity." It is even less possible to psychoanalyze a whole people than it is to indict it. Instead of groping about for ways of changing existing German political character, outlook, and desires, either by kind treatment or by spectacular punishment, we might start by removing the patient's gun. Whether Germany will be able to disrupt the European peace is a more practical question than whether it will want to do so.

A PEACEFUL, democratic Germany is not an unattainable objective. Some of today's most conspicuously law-abiding nations are former aggressors. None of them, however, was cured by the application of psychiatric methods to international politics. Some were tamed by attaining positions in the world commensurate with their underlying strength. Others lost their underlying strength. There is no firmer law of national behavior than the one which induces a nation to seek to make its position in the world equal its real power. When the power basis for conquest goes, the psychological drive for conquest goes with it.

Few Swedes today would take seriously any suggestions that Sweden's former position be restored. That millions of Germans are receptive to comparable appeals does not mean that Germans are inherently more bloodthirsty or more gulli-

ble. It means that they have a better basis for hope of conquest than Swedes have. If Germany is placed in a power position comparable to Sweden's, German "re-education" in international morality will progress very rapidly, without the necessity of changing teachers or textbooks.

Germany's real power, resting upon pre-eminence over its neighbors in heavy industry, population, geographical position, military skill, and administrative ability, seems to a German to entitle his

country to exercise a commensurate political dominance. The Americans, the Russians, and the British, for perfectly valid reasons of their own security, do not intend to permit Germany to register its real power by occupying a dominant political position in Europe. Germany will keep trying, however, just as long as the gap remains between her underlying power and her political position. The stakes are high and the risks will not be too great as long as Germany retains, as she did in 1918, the ability to try again.

How Men Behave in Crisis

A YOUNG psychiatrist who went as a medical observer on five combat missions of the Eighth Air Force in England says that in times of great stress and danger men are likely to react quite uniformly, even though under normal circumstances they differ widely in personality. He went on one mission during which the B-17 plane and crew were so severely damaged that survival seemed impossible. He had already studied the "on the ground" personalities of the crew and had found that they represented a great diversity of human types. Of their behavior in crisis, he reported:

"Their reactions were remarkably *alike*. During the violent combat and in the acute emergencies that arose during it, they were all quietly precise on the interphone and decisive in action. The tail gunner, right waist gunner, and navigator were severely wounded early in the fight, but all three kept at their duties efficiently and without cessation. The burden of emergency work fell on the pilot, engineer, and ball turret gunner, and all functioned with rapidity, skillful effectiveness, and no lost motion. The burden of the decisions, during but particularly after the combat, rested essentially on the pilot, and, in secondary details, on the co-pilot and bombardier. The decisions, arrived at with care and speed, were unquestioned once they were made, and proved excellent. In the period when disaster was momentarily expected, the alternative plans of action were made clearly and with no thought other than for safety of the entire crew. All at this point were quiet, unobtrusively cheerful, and ready for anything. There was at no time paralysis, panic, unclear thinking, faulty or confused judgment, or self-seeking in any one of them.

"One could not possibly have inferred from their behavior that this one was a man of unstable moods and that that one was a shy, quiet, introspective man. They all became outwardly calm, precise in thought, and rapid in action.

"Such action is typical only of a crew who know intimately what fear is, so that they can use, without being distracted by, its physiological concomitants; who are well trained, so that they can direct their action with clarity; and who have the more than personal trust inherent in a unified team."

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

DATE Dec. 16, 1944

TO Secretary Morgenthau
FROM J. W. Pehle

CONFIDENTIAL

I strongly urge you take the time to read the attached report from Roswell McClelland, the War Refugee Board Representative in Switzerland. I know you will be thrilled, as I am, at the spectacular achievement of the War Refugee Board activities in this area. Incidentally, most of the funds, the use of which is described by McClelland, were contributed by the JDC.



Attachment

Holmes L
175

C
O
P
Y

LEGATION OF THE
UNITED STATES OF AMERICA

176

SECRET

Bern, November 27, 1944.

Dear Mr. Pehle:

I am pleased to enclose for your confidential information and for the records of the War Refugee Board two copies of my accounts of expenditures made from discretionary W.R.B. funds placed at my disposal. This accounting covers the first six months - May 1st, through October 31st, 1944 - of W.R.B. activity in Switzerland.

I also attach 31 receipts (numbered) corresponding to the amounts recorded as having been disbursed.

Please let me know if this record is sufficiently detailed. Only in one case, fortunately, was it not possible to secure a receipt for a contribution made. In several cases, however, it has not been possible to secure as detailed information as I might have desired as to the use made of our WRB contributions. Under the circumstances as they exist in Europe at the present time I am afraid this was to be expected.

Very sincerely yours,

/s/ Roswell D. McClelland

Enclosures:
2 copies of financial
report and
31 individual receipts.

ROSWELL D. MCCLELLAND
Special Assistant to
the American Minister

John W. Pehle, Esquire
Executive Director
War Refugee Board
Washington 25, D. C.

Regraded Unclassified

RECORD OF EXPENDITURES FROM W.R.B. DISCRETIONARY FUNDS

MAY 1st. through OCTOBER 31st.

1944

I. Entertainment and Contacts (the Legation Disbursing Officer having informed me that such expenses would have to be covered from discretionary funds at my disposal).

Swiss Rs.

May	79.50	
June	145.35	
July	61.10	
August	8.40	
September	105.25	
October	96.20	
		<hr/>
Total	495.80	495.80

II. Disbursements of a non-routine character outside of regular Legation administrative expenditures: telephone & telegraph, special assistance, research work, investigation, special translating and publicity*

May	375.00	
June	585.30	
July	733.70	
August	276.65	
September	160.10	
October	90.00	
		<hr/>
Total	2,220.75	2,220.75

* This item of publicity included in particular a series of 6 reports concerning the Jewish persecutions in Hungary which I issued "unofficially" during June, July and August. They appeared in English, French and German and were distributed to various persons and organizations in Switzerland in a position to act on public opinion. We also brought out 2 more reports during this period on the political situation in Hungary with specific emphasis on the anti-Jewish and Fascist tendencies of the various governments since March 19, 1944. When mailing facilities permit I shall forward copies of these reports to the WRB through the pouch.

Total this page 2,716.55

Amount carried over from preceding page 2,716.55

III. Special expenses for COURIER SERVICE to Hungary, Slovakia, Rumania, Germany, Northern Italy, Holland, Belgium and France.

<u>Receipt No.</u>	<u>Date Paid</u>	<u>Paid to</u>	<u>Destination or area.</u>	
1.	May 22	Jaeger of Franco-Tireur Partisans	Haute Savoie border region & points south & west	1,000.00
2.	June 12	N. Schwalb Hechaluz	Germany (Berlin), Hungary, Slovakia & Rumania	5,000.00
3.	June 18	Manfredi Italian Liberation Committee	Northern Italy (between Swiss border & Milan).	2,000.00
4.	July 18	Elion Belgian Resistance	Belgium (Brussels) and Holland.	2,000.00
5.	Sept. 20	Manfredi Italian Liberation Committee	Northern Italy	2,000.00
			Total	12,000.00 12,000.00

IV. Minor contributions to organizations doing small-scale "border passing," including cost of false papers, temporary maintenance, transportation, etc.

<u>Receipt No.</u>	<u>Date Paid</u>	<u>Organization paid to</u>	
6.	May 15	Dr. Pollak-Daniels - Dutch Jewish Coordinating Committee (Refugees from Holland to Switzerland).	500.00
7.	June 20	" " "	500.00
8.	June 21	Karl Burkhardt - Freies Deutschland: Swiss-German border (Basel region)	500.00
			Total 1,500.00 1,500.00
			Total this page 16,216.55

Amount carried over from preceding page 16,216.55

IV. (Continued)

<u>Receipt No.</u>	<u>Date Paid</u>	<u>Organization paid to</u>		
9,	July 10	K. Burkhardt - Freies Deutschland	500.00	
10.	July 31	Dr. Pollak-Daniels	600.00	
11.	Aug. 14	Karl Burkhardt - F.D.	1,000.00	
12.	Aug. 16	Stefan Eisenberg; Hungarian Student Org. in Zürich (wires for Palestine Certificates).	600.00	
13.	Aug. 29	Dr. Pollak-Daniels	500.00	
14.	Oct. 2	" " "	500.00	
15.	Oct. 9	Karl Burkhardt (Plus additional relief for persons in hiding waiting to cross border).	2,000.00	
16.	Oct. 30	" " "	2,000.00	
Total			7,700.00	7,700.00

V. Special "medico-food" relief (incl. pharmaceuticals) for persons in prison, hiding, fleeing

<u>Receipt No.</u>	<u>Date Paid</u>	<u>Organization & person paid to.</u>		
17	May 22	Jaeger of Franc-Tireur Partisans (see Receipt No. 1).	2,000.00	
18	June 19	Dr. J. Weil of OSE for Kupfer of "Pharmacie Nouvelle," Geneva	2,036.95	
19	Aug. 7	" " "	2,482.00	
20	Oct. 7	Kupfer of "Pharmacie Nouvelle," Geneva for Hungarian refugees in Yugoslavia	4,000.00	
Total			10,518.95	10,518.95

Total this page 34,435.50

Swiss Fr.

Amount carried over from preceding page 34,435.50

VI. Special Grants, particularly to political groups or their representatives, to finance flight, hiding, false papers of endangered persons. Grants to secure cooperation in such programs.

<u>Receipt No.</u>	<u>Date Paid</u>	<u>Organization & purpose</u>		
21	May 21	M. Ascerati - Spanish CUN (Comité d'Union National) for partisan groups operating in Pyrenées region.	5,000.00	
- No receipt obtainable	June 12	L. Nicole - Correspondent for S/land of "Tass" & the "Pravda." Secure cooperation of Communist Press in S/land & use of their channels into occupied countries.	2,000.00	
22	Aug. 7	M. Ascerati - as above, with stress on relief to endangered Spanish refugees, rather than only to enlist partisan aid in passing Jewish refugees over the Pyrenées.	10,000.00	
23	Aug. 12	Mr. Royall Tyler, for aid to French in Lyon region sought by Milice and Gestapo.	5,000.00	
Total			22,000.00	22,000.00

VII. MAJOR GRANTS to organizations to cover the many expenses involved in rescue and relief operations: temporary maintenance in hiding, false papers, cooperation minor officials, transportation, "passeurs" at frontiers, etc., for persecuted and endangered persons, particularly Jewish, in Nazi occupied territory.

<u>Receipt No.</u>	<u>Date paid</u>	<u>Organization</u>		
24	June 24	Charles Guillons: relief & rescue activities of the Conseil National de la Résistance	200,000.00	200,000.00
Total this page			200,000.00	200,000.00

Amount carried over from preceding page 256,435.50

VII. (Continued)

<u>Receipt No.</u>	<u>Date paid.</u>	<u>Organization</u>		
25	June 30	<u>Manfredi - Communist Party of Milan Liberation Committee & G. della Porta - "Gruppi di Difesa della Donna" for Northern Italy.</u>	75,000.00	//
26	July 4	<u>Noel Field - Unitarian Service Committee in France: for German political refugees</u>	10,000.00)
27	July 5	<u>N. Schwalb - "Hechaluz" (Jewish Zionist Labor group) for Poland, Slovakia, Hungary and Rumania.</u>	100,000.00	
28	July 20	<u>Dr. Jean Kopecky - Czech Resistance Movement: for assistance to Jewish refugees in Slovakia.</u>	42,500.00	
29	Aug. 10	Nathan Schwalb - "Hechaluz"	100,000.00	
30	Oct. 3	" " "	100,000.00	
31	Oct. 11	<u>M.H. Gans - Dutch Jewish Coordination Committee: rescue and transportation of Dutch Jewish deportees from Bergen-Belsen.</u>	50,000.00	
Total			477,500.00	477,500.00
<u>GRAND TOTAL</u>			Swiss Frs.	<u>733,935.50</u>

SUPPLEMENTARY INFORMATION with regard to individuals and organizations having received contributions from WRB discretionary funds and uses to which this money was put. (According to the receipt numbers used on the previous pages).

Receipt No. 6 (May 15 - Page 2) Dr. Pollak-Daniels, who came to Switzerland clandestinely, via Belgium and France, during the latter part of 1943, is co-director of a small, but well organized relief committee specializing in assistance to Dutch Jewish refugees and Jews of other nationalities coming from Holland. Since the needs of their organization in Holland itself were fairly well covered by grants from Mr. Saly Mayer of the J.D.C., I filled in with a small monthly contribution which served mainly to finance "passeurs" along the French-Swiss border for such incoming refugees. 200 francs a month went to enlist the cooperation of a Swiss customs officer who served in the "refoulement" and "sorting" camp of Crompton in Geneva. Here refugees crossing the border illegally are cross-questioned and "sifted," with a view to determining who shall be pushed back across the border into France. Thus with a few hundred francs a month in the right place about 30 people, who might otherwise have been "refoulés" were admitted to Switzerland.

Since the liberation of France which has brought the flow of refugees into Switzerland from that country to a stop, Dr. Daniels' committee (he works with a Mr. Gans - see Receipt No. 31 of Oct. 11 - of the "Dutch Jewish Coordinating Committee") is expanding its parcel work and "postcard location" of Jewish deportees in German occupied territory. Further contributions to this organization may not be necessary in the future as they have some promise of receiving additional funds from Dutch sources in Great Britain.

Receipt No. 8 (June 21 - Page 2) Karl "Burkhardt" (a "nom de guerre") is in charge of the relief and rescue section of the "Freies Deutschland" committee in Switzerland. I have known K.B. for a number of years as he was previously in contact with the Quaker Center in Berlin. This group, which has little in common with the Moscow group except the name, is made up of German political refugees of all parties at present in Switzerland. It operates, of course, illegally in Switzerland and maintains close relations with Germany and with resistance groups inside Germany. Our WRB contribution has helped them to pass particularly endangered political refugees across the border into Switzerland (mainly between Basel and Singen) for a number of months. Since the events of July 20th. the number of individuals to be brought in has increased and probably will. Getting them across the Rhine is also becoming more expensive. I am at present working with the FD on plans to send in more relief to endangered persons hiding in Germany along the border.

Receipt No. 12 (Aug. 16 - Page 3) Stefan Eisenberg is the President of the Hungarian students' organization in Zurich. When it became known late in July that persons holding Palestine Certificates in Hungary might be allowed to emigrate this committee was very active in sending collective telegrams to Palestine in an attempt to secure Certificates for the relatives in Hungary of various of their members. This WRB contribution was made to assist them with covering the cost of these wires.

Receipt No. 17 (May 22 - Page 3) Jean-Jacques Jaeger was representative in Geneva of the "Franc-Tireur Partisan" Resistance group (Communists) for the Department of the Haute Savoie. As such he was extremely helpful in hiding refugees along the French side of the border and in getting them across the frontier into Switzerland. This WRB contribution of 2,000 Frs. went mainly for their own people in order to enlist their cooperation in "passing" foreign refugees over. As was generally the case with French Resistance organizations one could not ask them to aid foreigners without at least offering to assist them with their own well-nigh insurmountable relief problems, as hundreds of their own people, particularly if they belonged to the FTP were tortured, shot and imprisoned by the Gestapo and the Milice.

Receipt No. 20 (October 7 - Page 3) This grant was made for a purpose very similar to the above. The partisan groups fighting along the northern Yugoslavian border, up against the Hungarian frontier, were quite willing to assist in any way possible with rescuing endangered Jewish refugees. Their own material situation, however, was such that they could scarcely do it without receiving help themselves. This shipment of medical and restorative products, therefore, was split up between their own people and incoming Hungarian Jewish refugees. Although it seems difficult to believe, the lines of communication between Switzerland and northern Yugoslavia were better than between Italy and this region, with the result that a considerable amount of medical goods (the shipments had to be compact) was sent from Switzerland via Chiasso and Trieste, with the collaboration of Italian partisan groups.

Receipts No's 21 & 22 (May 21 & Aug. 7 - Page 4) The first of these contributions was made to enlist the invaluable assistance of the Spanish partisan groups operating along the whole chain of the Pyrenées from Cerbère to Hendaye in France with the passing of Jewish refugees into Spain. The second contribution of 10,000 Frs. was, according to my agreement with Manuolo Ascerati, the representative of the Spanish "Comité d'Union National" in Switzerland, to be split two ways, half going to finance "passing" and the other half for relief to imperilled Spaniards in the prisons and camps in southern France (and there were unfortunately many of them!). These contributions had really more concrete

results than some of the others since, with assistance from other Jewish organizations such as the World Jewish Congress and the JDC, close to 700 persons were passed successfully over the mountains into Spain.

Receipt No. 23 (Aug. 12 - Page 4) Mr. Royall Tyler is on our Legation staff, as you probably know, representing F.E.A. and later the U.N.R.R.A. He has very close contacts with France and I was very happy to be able to place this sum of 5,000 frs. at his disposal for assistance to French Gestapo victims and their families.

MAJOR GRANTS

Receipt No. 24 (June 24 - Page 4) This large contribution from WRB funds to the relief and rescue activities of the French Resistance was paid to and handled by Charles Guillon (whom I have known personally for some years, particularly from the period I worked in France) as representative in Geneva of the relief section of the "Conseil National de la Resistance," and Madame André Philip as delegate, at that time, of the COSOR ("Comité des Oeuvres Sociales des Organisations de Résistance"). The 200,000 Swiss francs realized approximately 12,000,000 French francs which were spent as follows:

3,000,000	to the Social Services of the M.U.R. (Mouvements Unis de la Résistance.)
2,050,000	to the relief activities of the "Front National" and Cooperative Groups.
100,000	to the "France d'Abord" group.
500,000	to the relief section of the "Etat Major des Postes, Télégraphes et Téléphones" at Lyon. This was a resistance organization made up from the personnel of the postal telegraph and telephone services. They accomplished excellent and dangerous information and sabotage work and were consequently particularly tracked by the Gestapo and Milice. A great many of their members were tortured and killed by the Germans.
200,000	to the resistance group from the SNCF (Société National des Chemins de Fer Français) - the French railroads. They did work similar to the post & telegraph organization which was of great value.
500,000	to the "Mouvements Prisonniers," a group specializing in assistance to men and women imprisoned by the Germans by sending them packages of food, cigarettes, etc.

Receipt No. 24 (continued)

- 50,000 to the "Oeuvre des Prisons de Lyon" a smaller organization doing work similar to that of the group previously mentioned, but limited to the city of Lyon.
- 200,000 to the "Amitiés Chrétiennes" in Lyon, an inter-confessional group formed to assist French Jews. I know their work at first hand.
- 200,000 to individual relief cases in the Northern "Zone".
- 200,000 " " " " " " Southern " .

The need for such individual relief was really tragically urgent and under-financed in France during the resistance period. Let me take two cases at random from among those reported to me as having been assisted with our WRB funds, to give you an idea of how this money was spent.

1) the Case of Family C. in Paris: Father arrested in October 1942 by the Gestapo, and after 8 months in prison at Paris, deported to the concentration camp of Sachsenhausen-Oranienburg near Berlin. Mother of the family who was also arrested shortly after her husband on suspicion of having aided in his work died of undernourishment in the prison of "La Tourelles" in Paris. This couple left behind two children aged 4 and 7 who are being cared for by a sister in modest circumstances with three children of her own.

2) The case of Maurice Th., a member of the Paris section of "Ceux de la Libération." Denounced and arrested at the end of August 1943. Finally liberated from the hospital at Paris by comrades of the CDL. The Gestapo, in the course of questioning him had hung him by his feet, and in beating him had broken several ribs, injured his spinal column, and fractured his pelvis. During earlier interrogatories the fingers of both hands had been crushed. At present he is living at Montmirail with a physician friend, but must be in a plaster cast for over a year. His wife and one child meanwhile have to be supported.

7,000,000 = Total sent in during the month of July, 1944 as a first installment.

The second installment which went into France consisted of

roughly 5,000,000 French francs and was distributed mainly in the region of Lyon during the month of August. The principal disbursing agent was Melle Germaine Ribière, head social worker in that area for the COSOR. She divided these funds up among the following organizations: "Amitiés Chrétiennes," "Oeuvres des Prisons de Lyon," CIMADE ("Comité Inter-Mouvement Après des Evacués"), an excellent Protestant organization which has always done fine work in France particularly for foreign refugees, including a great many Jews, by hiding those in danger of deportation, securing false papers and ration cards for them and passing them over the border into Switzerland, and the "Service Social d'Aide aux Emigrés," the French branch of the International Migration Service, which does work somewhat similar to that of the CIMADE in France. A sum of 500,000 French francs went to Père Godard, of Lyon, as representative of Cardinal Gerlier, and director of Catholic relief work in that city and environs. This sum was largely instrumental in organizing the release of some 200 wounded prisoners whom the Germans were keeping at the Hospital of Antiquaille in Lyon awaiting their sufficient recovery so that they could be executed!

I should perhaps not have made so substantial a contribution to the "Conseil National de la Résistance" in France if I had known at that time that the major part of our WRB discretionary funds had been generously contributed by the American Joint Distribution Committee. On the other hand, knowing the "Joint" and the spirit in which they have always done their work I feel that they would approve.

Receipt No. 25 (June 30 - Page 5) These 75,000 Swiss francs were sent into Northern Italy at the beginning of July through the Communist representative of the Milan Liberation Committee in Switzerland and carried by the representative of a resistance group known as the "Gruppi di Difesa della Donna," Gisella della Porta. As far as I know they realized in the neighborhood of 6,000,000 Italian Lire since the current "rate" at that time against Swiss bank notes in Italy was around 80 Lire per Swiss franc.

I asked Madame della Porta that these funds be used (among other similar projects) for the protection of Jewish women and children in danger of deportation. I also stated that we were very interested in the escape of as many Jewish refugees as possible into Switzerland. To-date, however, due to increasingly disturbed conditions along the Italo-Swiss border only 7 cases, numbering some 18 persons, have turned up in Switzerland sent by the Women's Defense Groups.

It was also of course understood that part of these funds could be used (and were to be used) for assistance to endangered Italian political refugees and prisoners, to aid with their release, hiding, maintenance, parcels to them while in prison and the like.

Receipt No. 25 (continued)

Although it has only been possible to receive somewhat fragmentary reports from Northern Italy concerning the exact expenditure of these funds I was able to learn that a sum of 500,000 Lire was devoted to smuggling relief parcels to Jewish internees in the ill-famed prison of San Vittore in Milano, in the camps of San Martino di Rosignano Monferrato (near Alessandria) and Fossoli di Carpi - which I had specially requested - near Modena.

Another portion of this amount was allotted to the job of "springing" political prisoners from various prisons - generally in the smaller towns - in Northern Italy. According to reports received, the following liberations were effected in whole or in part with WRB funds:

- 1) July 24, at Abbiategrasso near Milan, a group of the GAP (Gruppi d'Azione Patriotici) released 4 political prisoners;
- 2) August 8, at the prison of Breno (Provincia of Brescia), 14 politicals liberated;
- 3) August 18, at the local prison of Fossano (Provincia of Piemonte) 9 political prisoners released;
- 4) Sept. 15, at the local prison of Saluzzo (Provincia of Piemonte) 8 prisoners all condemned to death for having operated a clandestine printing press.

As in the case of France, about 30% of our WRB contribution went toward the urgent support of the wives and children of Italians who had been deported or executed by the Neo-Fascists or Gestapo. A part was also used to relieve the inhabitants of small villages "sacked" as reprisal by the SS, or Fascists. I enclose one typical receipt of this type of aid attesting to the fact that the Commander of the 49th, Garibaldian Brigade, Giambone Detachment, delivered 30 kilos of butter and 12 kilos of tobacco to the "population of the village of Feletto struck by the Nazi-Fascist incendiaries."

I hope eventually to receive more complete reports as to the use of this contribution, but it is becoming more and more difficult (and particularly dangerously compromising) to get written reports of this nature through.

Receipt No. 26 (July 4 - Page 5) Noel Field, Director in Switzerland of the Unitarian Service Committee has for some months been supporting a group of German political refugees in France who have been doing very creditable rescue work among endangered foreign refugees in Southern France. Our 10,000 WRB francs went through very satisfactorily and a receipt was received dated July 18th.

These funds served principally to maintain persons in hiding and to finance the escape of 9 political refugees to Switzerland and 2 to Spain.

Receipt No. 27 (July 5 - Page 5) This was the first of three major contributions to the "Hechalus" Jewish organization made through their representative here in Switzerland, Nathan Schwalb. The primary purpose of these contributions (see Receipts 29 and 30 of Aug. 10 and Oct. 3 respectively), as reported in Legation's 5343, August 17, 7 p.m., 1944, was to finance the flight of Jewish refugees from Hungary into Rumania. To a much lesser extent they also helped send a number of Jews to Slovakia where the situation in the early summer was much more favorable for the Jews than it later turned out to be, and to finance the bringing of a small number of Jews across the Silesian border into Slovakia. The funds were sent to Budapest and Bratislava in both Swiss franc and dollar currency which were about the only two notes with which effective rescue work could be accomplished. All the money safely reached its destination (for which I am most thankful as generally in work of this type one has to allow for some loss occasionally when a courier is stopped or searched) as it was almost all sent by neutral diplomatic couriers (Turkish, Swedish and Swiss and occasionally the Nunciature's pouch to Bratislava). Roughly I should say that this contribution of 300,000 francs in all enabled about 2000 persons to escape to Rumania, 250 to Slovakia and some 500 into Northern Yugoslavia, although complete figures are lacking.

Receipt No. 28 (July 20 - Page 5) As set forth in Legation's 4666 of July 21, 3 p.m., 1944 this contribution of 42,500 Swiss francs was paid to Dr. Jean Kopecky, officially delegate of Czechoslovakia to the League of Nations and less officially representative of the Czech resistance organizations in Switzerland. Dr. Riegner of the World Jewish Congress also contributed a similar sum. These funds were employed to enable the Czech partisans to rescue Jews (capture of the camps of Sered and Novaky) and to provide a certain amount of liquid cash for the Central Jewish Office (Ustredna Zidov) in Bratislava. I should estimate that it saved the lives of close to 1500 people, although it is hard to know how many of them later fell into German hands when the situation in Slovakia grew more serious for the Jews. With reference to the use of these funds see also Legation's 6619 of October 5, 8 a.m., 1944.

Receipt No. 31 (October 11 - Page 5) This grant to the Dutch Jewish Coordinating Committee in Geneva was in the nature of a deposit to permit this organization to put up the necessary guarantee for the transportation of 50 Dutch Jews from the camp of Bergen-Belsen, to Switzerland. It begins to look more and more, however, as

Receipt No. 51 (continued)

though these funds would not produce the desired result. The plan was organized by a Swiss named Trumpy who has connections with SS circles in Germany and claimed very convincingly that he could arrange the transportation of Jews from Bergen-Belsen at an expense of 1,000 Swiss francs per person, the money to remain in Switzerland. We were even given assurance that any payment after the war could be blocked since we would be supplied with the necessary information as to the persons in whose names the money would be deposited (if and when the 50 people arrived in Switzerland) with Swiss banks. I am afraid that recent military developments, however, have rendered the carrying out of this plan most doubtful since even an SS man in the upper brackets would have great difficulty in organizing the transportation of 50 persons to the Swiss frontier. In case this project falls through (and the dead line has been set at December 15th.) these 50,000 frs. will come back.

As reported in Legation's 7754, November 25, 11 a.m. I had, as of October 31st. outstanding, unpaid commitments of approximately 40,000 francs for medical parcels to be sent to camps of unassimilated persons in Germany and the cost of the 54,756 Kgs. of salvaged CRISTINA goods which Mr. James of the American Red Cross in Geneva has not yet collected for. I should imagine that these foodstuffs would be worth at least 5 francs per kilo, which would make about 272,780 francs which the WRB still owes Amcross. I assume that Mr. James has not yet asked to be reimbursed for these goods as he is awaiting specific instructions from Amcross as to the price per kilo which should be set.

I have just allotted 50,000 frs. to Nathan Schwalb of the Hechaluz, in the main for Budapest, but in part for Berlin where there are still upwards of 300 Jews in hiding who are in contact with the Hechaluz. Their situation is, of course, exceedingly precarious. It is hoped that a small group of young people may be brought to Switzerland (the Swiss have already declared themselves willing to let them in) within the course of the next few weeks.

W.R.B. DISCRETIONARY FUNDS RECEIVED THROUGH OCTOBER 31
1944.

	\$	<u>Swiss frs.</u>
I. April 26 as per Department's 1434, April 25, 1944: From <u>President's</u> <u>Emergency Fund</u>	10,000	42,881.65
II. June 15 see Department's 1994, June 10 -WRB's 38 and Department's 2048, June 14, WRB's 41.	125,000	536,020.58
III. August 25 see Department's 2898 August 23 - WRB's 134 \$125,000 at \$ 0.2332 per fr. - 536,020.58 Swiss frs. gross, minus $\frac{1}{2}\%$ commission of Swiss National Bank, frs. 2,680.08 leaving net amount Swiss frs. rec'd	125,000	533,340.50
	<hr/>	<hr/>
TOTAL AMOUNTS RECEIVED	\$260,000	1,112,242.73

AS OF OCTOBER 31st, 1944, THEREFORE:

	<u>Swiss francs</u>
Total disbursed	733,935.50
Cash in hand	2,446.15
Balance in bank	<u>375,861.08</u>
	<hr/>
TOTAL	<u>1,112,242.73</u>

Bern, November 27, 1944.

Roswell D. McClelland
Roswell D. McClelland
Special Assistant to
the American Minister.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

House

191

Date Dec. 16,
1944

TO Secretary Morgenthau
FROM J. W. Pehle

The attached editorial from this week's
"Life" Magazine is well worth reading, I think.

It states rather well the reasons why, in
my judgment, we were wrong in recommending a veto
of the Surplus Property Act.



Attachment

SURPLUS PROPERTY

MUST A GREAT CHANCE TO BROADEN ECONOMIC FREEDOM GO BY POLITICAL DEFAULT?

Wrote Thomas Jefferson in 1785: "I am conscious that an equal division of property is impracticable. But . . . legislators cannot invent too many devices for subdividing property. . . . The earth is given as a common stock for men to labor and live on." His ideal citizen was the self-sufficient farmer, for he believed that only men who are economically independent can long remain free.

His was quite a different theory from socialism. It is the theory that government, by "subdividing" property, can make its citizens more independent of government itself. The next question, of course, is how far government can go without producing less justice and freedom than ungoverned men would produce among themselves. To date, man-made law is assumed to be somewhat superior to the jungle's; and we keep trying. The latest try in this country, a law which the President signed in October, may launch the U.S. government on one of the greatest subdividing experiments of its career.

Another Louisiana Purchase?

The law is the Surplus Property Act of 1944. It governs the disposal of all the things the government bought or built to fight the war with and doesn't want to keep. In land, acquired for camps, etc., the government will sell something like 12,000,000 acres. In industrial plant capacity, the government owns around one-third as much as all American corporations. Perhaps Secretary Ickes did not exaggerate too much when he said that the consequences of how we dispose of this wealth may make the consequences of the Louisiana Purchase look "insignificant." The Louisiana Purchase (530,000,000 acres) about doubled America's area in 1803.

Surplus, or waste, is in the nature of war. It is already piling up: planes and plants, mattresses and monkey wrenches, trucks and timberland, pressure cookers and police dogs. Everything you can think of, and in quantities you can't imagine. The RFC is building a chain of warehouses just to display the stuff. There will be no single dam break, no one big auction day; the sales have already started and will go on for years. In October alone four government agencies sold \$26,700,000 worth, including two locomotives and 6,500,000 slide fasteners. The total amount ultimately to be sold is variously valued at from 15 to 103 billion dollars. It can't be appraised in advance even approximately, for its volume would break any market it was dumped on; in fact it can be measured only against the postwar economy as a whole.

So what method, what objectives should we adopt for the disposal of this war-built wealth? Mr. Ickes, as usual, is preoccupied with the problem of "checkmating scoundrels"—i.e., preventing speculation and inside track meets. One very simple method would be to sell it to the highest bidders,

thus realizing the greatest sum for the government and with it reducing the national debt. Another possible method is to dispose of it with the least possible disruption of "normal trade channels" and the price level, on which it is bound to have a deflationary effect. From this standpoint the suggestion of a Navy man makes good sense: that everything be loaded on battleships and dumped in the middle of the sea.

There is another objective, however, which is not so cynical or lazy as these. It is that, since the disposal of this property is bound to have a vast effect on the character of our postwar economy, we should decide now what kind of economy we want and aim our policy at that.

This objective, starry-eyed or not, is now the law of the land. The Surplus Property Act is a poorly drawn compromise, unworkable as it stands and due for revision. It is nevertheless one of the few public acts of recent months that exhibit a profoundly idealistic purpose. Its chief aims are these: to re-establish free independent enterprise, to strengthen the competitive position of the new and small businessman and the family farmer; and to put government property to widespread, nonmonopolistic use. It is a bill in the Jeffersonian tradition, an attempt to redistribute property in a way to make men free.

Efficiency Is Not Everything

When he saw the bill Will Clayton, who had been handling surplus property under executive order, resigned his job in disgust. It was the disgust of a capable, efficiency-minded administrator. For example, in selling farmland the government (according to the law) must offer it first to the former owner or heirs, then to any tenant farmers he may have had, then to any farm-minded veterans who may want it, then to other candidates for subsistence farming.

Mr. Clayton wanted to put the land on the market fast, via RFC and the professional real-estate brokers. But the senators had a different idea. They were more impressed by the testimony of Norman Littell, the recently fired Assistant Attorney General, who convinced them that under Clayton's methods the land would wind up in the hands of big corporate farmers. Said Senator Chandler, in the nearest imitation of Jefferson he is ever likely to achieve: "It is better security for the country to have our people on their own farms."

The law also tries to help the little businessman. Maury Maverick's Smaller War Plants Corp. is authorized to intervene whenever it sees a chance to put industrial property into new and independent hands. This is inefficient. But efficiency is perhaps not the sole motive of all the enemies of the law. Established retailers, for example, who still shud-

der at the memory of the "Army & Navy Stores" of Postwar I, are lobbying for "orderly distribution" through "normal trade channels."

The economic responsibility of our government does not lie toward any particular "trade channel," union or company, however many "E" banners it may fly. It lies toward the general level of prosperity and the freedom and openness of the economy as a whole. To foster this freedom of the market, the government may seem to be playing favorites at times. Its favorites under the Surplus Property Act are veterans, small farmers and small businessmen. But without favoritism these three groups would be at a positive disadvantage, not in wealth but in opportunity. For big business and corporate farming enjoy trading advantages which threaten ultimately to close the door on individuals and newcomers if competition is not ceaselessly renewed.

Chance for a Jolt

Every generation or so our nation has been jolted into a great commercial expansion by some government-assisted project: Northwest Territory development, railroad grants, homestead laws, road building and the like. The disposal of our new war-built wealth could be another such jolt. Let "realists" predict that ten years hence the beneficiaries of a new distribution, the favored veterans and tenants, will be broke and landless once more. Many of them will, no doubt. They will nevertheless have had their moment of equal opportunity, which is all democracy promises and all Americans have ever asked.

But to give them even that much, those in charge of demobilization must rise to the challenge. If the Surplus Property Act were rewritten by Jefferson himself, it would still require great courage and imagination to carry it out. Its administrators must not only be in sympathy with its aims but must be men of enough political adroitness and guts to resist enormous pressure.

Last week the President made his choice of men for the Surplus Property Board. They are Guy Gillette of Iowa, the lame-duck Senator; Robert Hurley, a former governor of Connecticut; and Colonel E. H. Heller, a California financier and active Democrat. Honest men, no doubt. But as the *Washington Post* remarked, the President seems to have confused the problem of surplus property with the problem of surplus politicians. One looks in vain for the stature which the noble aims and practical pitfalls of this job demand.

Reconversion problems are not popular when the war news is bad. That does not make them unimportant. Our surplus-property problem contains the chance of a lifetime for a rebirth of economic freedom in America. If we let it go by default the spirit of Thomas Jefferson is disgraced. Unclassified

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

December 16, 1944

Midnight

AMLEGATION

STOCKHOLM

2537

The following cable is WRB 270.

Reference your 5043 of December 9.

We appreciate weight of Swedish arguments reported therein and would be inclined to accept them. But before doing so, we suggest that you draw the attention of Foreign Office to the fact that, after having informed German Government in August that Sweden is willing to allow entry of persons with American immigration visas, there would appear to be a basis for Sweden to follow this up by informing the Germans of the names of the people concerned. Viewed in this light, our suggestion does not (repeat not) involve any new step.

The problem mainly involves Jews and other Nazi victims in Germany and German-occupied territories other than Hungary. In view of developments in Hungary, we agree that transmission of names of Jews still there would be of no (repeat no) likely benefit, but since many such Jews have been deported to other Axis areas, the transmission of their names may still be beneficial.

Board is inclined to share your doubts as to the effectiveness of the suggested procedure, but feels that no (repeat no) possibility of saving lives should be overlooked.

STETTINIUS
(OHV)

WRB:MMV:HG
12/15/44

MOE SWP

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Bern
 TO: Secretary of State, Washington
 DATED: December 16, 1944
 NUMBER: 8169

CONFIDENTIAL

McClelland sends the following for WRB's attention.

Reference is made herewith to Legation's cable of December 9, no. 8044 and Department's cable of November 18, no. 3927 WRB's 280.

I have received the following answer from ICRC with respect to forwarding WRB parcels to camps and localities listed in last paragraph of your 3927: the committee will try to send collective test shipments to the following places all located within radius of from 120 to 245 kilometers of the eastern fighting front; Auschwitz, Kattowitz, Krakau, Oppeln, Myslowice, Piotrkow, Wieliczka, Tacgenstochau, and Trzebinia. However, in trying to forward parcels to these places it is stated by ICRC that they must be released from previous engagements accepted concerning control of safe arrival and distribution of parcels as they have not the slightest hope of securing permission for their delegates to visit these camps.

Our attention is called by ICRC to the fact that remaining camps and places mentioned are all either in territory which the Russians have already occupied or in battle zone and thus unfortunately inaccessible to relief shipments.

Should it be possible for the Board to obtain authorization to forward such test shipments to Poland I feel it is well worth trying in attempt to get some relief through to many thousands living under frightful conditions in these camps.

With relation to 224,328 parcels en route to Gothenburg I have tentatively agreed with ICRC that 39324 k parcels shall be sent to Jewish deportees balance of 185,004 primarily to non-Jewish detainees (although including an unknown number of Jews in the national groups) in main German concentration camps listed previously (see Department's cable of November 25, no. 4001, WRB's 291). Second balance of 60,672 parcels to be shipped this month will be reserved for both categories.

Expression of Board's feeling concerning this distribution plan would be welcomed by me.

HUDDLE

DCR:VAG 12/18/44

BAS-961
Distribution of true
reading only by special
arrangement. (SECRET W)

Bern

Dated December 16, 1944

Rec'd 11:17 p.m.

Secretary of State,
Washington.

8176, December 16, 4 p.m.

FOR WRB FROM MCCLELLAND.

Department's 3926, November 18 WRB'S 283 and
Legation's 7715 November 24.

On December 13 I paid to Decaritat Belgian Charge
d'Affaires at Bern sum of 384005.10 Swiss francs
equivalent to \$90,000 minus customary Swiss banking charges
of one half percent on franc amount which grossed
385934.82.

Ministry of Interior at Brussels had wired Decaritat
authorizing him accept these funds stating they were in
contact with Major and would make available to him
equivalent of this amount in Belgium.

This exhausts all Belgian war relief funds I have
been holding.

HUDDLE

JIS

CORRECTED COPY

ALH-1085

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

Bern

Dated December 16, 1944

Rec'd 4:52 p.m., 17th

Secretary of State

Washington

8177, December 16, 5 p.m. (SECTION ONE)

Department's 3844, November 11 (WRB 269)

All lists mentioned have been received and transmitted to Swiss with exception number 222 which not yet received. However, list bearing number 220 received but not mentioned by WRB.

Swiss note dated December 7 referring to contents second paragraph Department's 2605 July 28 and third group of lists mentioned Department's telegram under reference states that Swiss Legation Berlin has requested that following be brought to Legation's attention before Swiss representative notifies list to German Government:

Judging from experience Swiss Legation considers that representations which it would make to German authorities in this connection would contribute nothing to assure effective protection to persons covered by Department's 2605 so long as they can not participate in American-German exchanges. It would appear preferable to refrain for the present from notifying to German Foreign Office these lists of non-exchangeable persons to whom the American Government is prepared to extend its hospitality because communication these lists could only create confusion prejudicial to smooth conduct of negotiations for forthcoming American-German exchange. Inquiry is made whether, notwithstanding foregoing, communication of lists to German Government is desired.

In another note also dated December 7 Swiss refer to contents first sentence numbered part three of Department's 2918, August 24 and to first and second groups of

lists

-2- #8177, December 16, 5 p.m., from Bern

lists mentioned Department's 3844, November 11 and transmit following observations of Swiss Legation Berlin:

American Legation by note dated November 21 (which transmitted contents Department's airgram A-540 on November 9) gave notification that Department had established a seventh category of persons entitled to participate in American-German exchanges that is, category G which includes wives and children of alien residents of United States or of other American Republics.

HUDDLE

JT

JM-1099
Distribution of true
reading only by special
arrangement. (SECRET W)

Bern
Dated December 16, 1944
Rec'd 7:05 p.m., 17th.

Secretary of State
Washington

8177, December 16, 5 p.m. (SECTION TWO)
(?) (?) (?) persons resident in United States in a single
category such as category and accordingly eliminate dis-
tinction established by Department's 2918.

Owing foregoing Foreign Office inquires whether per-
sons referred to in said telegram could be assimilated to
category G. If this not possible it desires know whether
Swiss Legation Berlin may be authorized defer transmission
lists to Germans until negotiations for forthcoming ex-
change are completed.

Question of authorizing Swiss entry visas individual-
ly or collectively is still under consideration by federal
police. In preliminary discussion chief of police ex-
pressed grave doubt as to protective value of authorizing
Swiss visas to large number of persons whose present where-
abouts is completely unknown and whose last addresses are
several years old. His experience with German police led
him to believe that they would take very little action on
basis of lists in question and in view of Jewish race of
persons concerned disclaim any knowledge as to their
whereabouts.

In view of Swiss Legation's observations it appears
to Legation that classification of persons as exchange-
able would afford a better possibility of according pro-
tection than authorization of Swiss entry visas.

Legation wishes also confirm receipt WRB lists Nos.
265, 269 and 274 which already forwarded to Swiss. Lists
Nos. 276, 277, 27(?) 302, 303, 305, 306 and two lists both
bearing No. 307 have been received and their transmission
to Foreign Office will be withheld pending Department's
observations to comments given above. (END MESSAGE)

WSB

HUDDLE

Large portion at beginning undecipherable and serviced.

CORRECTED COPY

MAM-1099
 Distribution of true
 reading only by special
 arrangement. (SECRET W)

Bern
 Dated December 16, 1944
 Rec'd 9:08 p.m., 19th

Secretary of State,
 Washington.

8177, December 16, 5 p.m. (SECTION TWO)

Swiss Legation believes that simultaneous notification to German Government on the one hand of names of relatively numerous aliens who could enter United States under conditions set forth Department's 2918, August 24 and on the other hand of those persons defined in category C with a view to exchange would in no wise promote the protection of first group while it might disturb preparations for forth coming exchange in which second group is includable. Experience reliably shows that German authorities give no consideration to request made for protection of number new changeable persons. It would, therefore, be desirable to include all close relatives in Germany of persons resident in United States in a single category such as category and accordingly eliminate distinction established by Department's 2918.

Owing foregoing Foreign Office inquires whether persons referred to in said telegram could be assimilated to category G. If this not possible it desires know whether Swiss Legation Berlin may be authorized defer transmission lists to Germans until negotiations for forthcoming exchange are completed.

Question of authorizing Swiss entry visas individually or collectively is still under consideration by federal police. In preliminary discussion chief of police expressed grave doubt as to protective value of authorizing Swiss visas to large number of persons whose present whereabouts is completely unknown and whose last addresses are several years old. His experience

with

-2- #8177, December 16, 5 p.m. (SECTION TWO) from Bern

with German police led him to believe that they would take very little action on basis of lists in question and in view of Jewish race of persons concerned disclaim any knowledge as to their whereabouts.

In view of Swiss Legation's observations it appears to Legation that classification of persons as exchangeable would afford a better possibility of according protection than authorization of Swiss entry visas.

Legation wishes also confirm receipt WRB lists Nos. 265, 269 and 274 which already forwarded to Swiss. Lists Nos. 276, 277, 278, 289, 296, 297, 302, 303, 305, 306 and two lists both bearing No. 307 have been received and their transmission to Foreign Office will be withheld pending Department's observations to comments given above.

(END MESSAGE)

HUDDLE

WMB

NOT TO BE RE-TRANSMITTEDCOPY NO. 7SECRETOPTEL No. 406

Information received up to 10 a.m. 16th Dec. 1944.

1. NAVAL

During passage of convoy from North Russia, 2 JU88 shot down in torpedo bomber attack and a reconnaissance aircraft destroyed; 4 prisoners taken; 1 Wildcat lost. As result of attacks on U-boats by aircraft and escorts, 1 U-boat claimed sunk, 3 possibly sunk and others possibly damaged.

2. MILITARY

Western Front. North of Colmar German counter attacks initially gained about 1 mile at 1 point, but were then held. In Northern Alsace, 7th U.S. Army has made general advance and crossed German frontier between Lauterbourg and Wissembourg, fighting taking place in former. Very slight gains by U.S. 3rd Army N.E. Sarreguemines. On 1st U.S. Army front gains of about 800 yards S.E. and N.E. Monschau; in latter area fighting taking place in Kesternich. S.W. Duren advances up to 2 1/2 miles made towards Roer. Further North, line of river reached between a point 1 mile N.W. of Duren and Julich, except for 2 German strongpoints still holding out.

Italy. Canadians have enlarged their bridgehead over Naviglio Canal North of Bagnacavallo against lessening resistance; U.K. and Polish troops have resumed offensive from their bridgehead over Lamone S.W. Faenza and have made progress against very heavy opposition including many tanks. Many prisoners taken in hand to hand fighting.

Greece. 14th. Athens and Piraeus. Slight ELAS activity Piraeus, otherwise much quieter.

Eastern Front. Further Russian progress reported North and N.W. Miskolc and North of Budapest.

Burma. In Arakan, forward elements of a West African Division have entered Buthidaung and a village 2 miles to the S.W. on the coast, our troops have advanced about 4 miles South of Alethangyaw.

3. AIR

Western Front. 15th - 13 Lancasters of Bomber Command dropped 70 tons of 12,000-lb. bombs on E-boat pens Ijmuiden; bombing through cloud, but reported concentrated. 645 escorted U.S. heavy bombers attacked railway centres Hanover 840 tons and Cassel 832 both on Pathfinder technique. 4 bombers, 3 fighters missing, but 1 bomber crew safe.

Medium bombers attacked railway bridges Northern Holland and enemy positions Dunkirk. 325 bombers - 1 missing dropped 409 tons on an oil storage depot and defended areas, while 1,166 fighters and fighter bombers - 5 missing gave ground support and dropped 312 tons on rail and road communications, etc.

15th/16th - 500 R.A.F. aircraft despatched: - Ludwigshafen 334 - 1 missing, 1 crashed in U.K. Mosquitoes to Hanover 62, Osnabruck 11 and Duisburg 3; see mining 23; bomber support 67.

(2)

Mediterranean - 14th - 679 aircraft attacked communications Northern Italy, cutting railways in 40 places and destroying or damaging 14 bridges. 25 aircraft attacked targets Athens area.

NOT TO BE RE-TRANSMITTEDCOPY NO. 4SECRETOPTEL No. 407

Information received up to 10.a.m. 17th Dec. 1944.

1. NAVAL

One of H.M. Submarines in Malacca Strait recently sank two Coasters and a Landing Craft and probably torpedoed two Coasters in an escorted convoy.

2. MILITARY

Western Front U.S. Troops have made slight gains across and towards German frontier between Karlsruhe and Bitche. In the Saar stiff fighting continues especially in the Saarlouis bridgehead where German artillery fire particularly heavy. In Aix sector mopping up continues in the area S.W. Duren while to N.W. the two remaining German pockets West of Roer between Duren Julich have been eliminated.

Italy Opposition to Canadians in Begnocevallo area severe and little progress made. Further South Germans appear to have withdrawn and elements of New Zealand Division have crossed Lamone South of Faenza and are established in its outskirts astride Highway 9. N.W. Faenza advance has continued against light opposition and forward troops now reached River Senio where it crosses Highway 9 and again a mile South of Castel Bolognese. On left of Eighth Army Polish Corps have launched an attack across the River Sintaia; a general advance of over a mile has been made along the Corps front. On Fifth Army front Tossignano, South of the Imola-Firenzuola Road has been lost.

Greece 16th. Work of clearing Piraeus area continued successfully. 15th. Only slight activity in Athens. Bad weather slowed up disembarkation reinforcements and supplies.

Burma Chinese troops have captured Bhamo.

3. AIR

Western Front 15th/16th. 1546 tons dropped Ludwigshafen. 16th. 108 escorted Lancasters - one missing dropped 474 tons through cloud on Siegen Railway centre; bombing concentrated; 104 escorted U.S. Heavy Bombers - three missing dropped 201 tons Stuttgart Railway centre and 90 Bietigheim; results unobserved. 665 Fighters and Fighter Bombers - three missing operated over Central and Southern battle areas and escorted the Lancasters attacking Siegen. German casualties 8:0:4. A 4,000 ton ship aground in Sogne Fjord, S.W. Norway was twice attacked by Coastal Command Mosquitos - two missing and left on fire.

Mediterranean 16th. 413 escorted U.S. Heavy Bombers - three missing attacked by pathfinder technique railway centres Austria and Bavaria; Linz 375 tons, Innsbruck 100, Imstetten 96, Rosenheim 100 and Salzburg 39. Results unobserved. 1008 Fighters and Fighter Bombers - six missing operated successfully over battle areas.

December 18, 1944
10:00 a.m.

GROUP

Present: Mr. D. W. Bell
Mr. Blough
Mr. McDonald
Mr. O'Connell
Mr. Haas
Mr. Pehle
Mr. Luxford
Mr. DuBois
Mr. Bernstein
Mrs. Klotz

H.M.JR: Dan?

MR. BELL: We have a letter from General Hines and the Veterans' Administration calling our attention to an act of Congress and some regulations of the Civil Service Commission about training disabled veterans. I think that is going to be quite a project, and while we probably ought to designate Charlie Bell to represent the Department, I am not so sure there shouldn't be a committee within the Department to consider it, because it involves Internal Revenue, Customs, the Bureau of Engraving and Printing, and all the rest of the large agencies. You give these boys a training course, and if that training course is approved by the Civil Service Commission, they automatically get a Civil Service status or can be appointed to a civil service job.

H.M.JR: I would like to have that committee meet in the first instance in my office. I would like to get it off to a good start. I am interested in it myself.

MR. BELL: Would you designate in the first instance Charlie to represent the Department before the Veterans' Administration?

H.M.JR: Yes, that is all right, but a committee within the Department--

- 2 -

MR. BELL: Then I think we might have a representative from the various services and meet in your office some time after Charlie gets back.

H.M. JR: Mrs. Roosevelt hasn't yet written it in her column, but she is seeing Jimmy Byrnes today, and General Hines. But this question of getting an artificial limb-- I think it is Hungers who make the best artificial limbs, and they bid on this thing. I don't know whether we are in it or not. The officers can get the good limbs, and the enlisted men can't. Then when it comes to being repaired, there is all kinds of business--well, she is looking into it. She said that in order to get results she is going to put it in her column. You can't get this repaired, and one agency and another--it is terrible.

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

December 18, 1944
10:06 a.m.

206

HMJr: Hello.

E. R.
Stettinius: Henry.

HMJr: Talking.

S: How are you this morning?

HMJr: Okay. You sound ominous.

S: Ominous?

HMJr: Yeah.

S: Well, I'm ominous about Poland and I'm ominous about my confirmations on the Hill and I have been at it since seven o'clock this morning and in dutch with a train coming up from the South and I just think for me to come over there today for a leisurely luncheon would be very unsatisfactory to you.

HMJr: Oh.

S: Now, do you want me to slip over -- because I'll just be interrupted on the telephone every minute -- do you want me to slip over some time during the day for a short one or let it go until we can have a leisurely

HMJr: Well, I do want to see you, Ed. I want to get started with you.

S: Well, now do you

HMJr: Be frank, is there somebody else you want to -- are you going to eat somewhere else?

S: No, no, I'm not going to eat at all, Henry. I'm going to be up on the Hill with Connally.

HMJr: Oh.

S: That's what I -- what I have to do.

HMJr: Oh.

S: No, and if it were humanly possible, I'd be there. I mean, I'm embarrassed as hell to cancel another one, you see, because we broke one last week.

HMJr: Yeah.

S: And would you like -- I'm anxious -- just as anxious to get started as you are. I've got three or four big things to discuss with you. The question is to -- what you'd like -- me to come in -- over to you today for a short visit or wait until we can really have a leisurely visit later on.

HMJr: Well, you've got your own troubles. I'll adjust myself to you. What would you like to do?

S: Well, I

HMJr: I don't happen to have very many troubles right now.

S: Right today. I'm desperately anxious for a visit. I think that it would be a mistake to try to rush it today.

HMJr: Yeah.

S: Leave it in my hands and see if I can't call you tomorrow or Wednesday at the latest.

HMJr: Yes.

S: When I can come over and we can have a go-around.

HMJr: Yeah. Unfortunately I'm tied up both Tuesday and Wednesday for lunch.

S: Well, we don't have -- it doesn't have to be at lunch. We can do it

HMJr: If you could only let me know a little bit in advance so that

S: Yeah. Well, we can have our lunch some other time.

HMJr: Yeah.

S: But leave it in my hands, Henry.

HMJr: I'll leave it in your hands because you

S: I'll get in touch with you just the minute I can possibly do it.

HMJr: Fair enough.

S: All right, old boy.

HMJr: Thank you.

H.M.JR: Stettinius says he has been up since seven. Cross him off for lunch. We are in good shape!

MR. BELL: We don't have to get up until seven-fifteen.

H.M.JR: I don't know where we were, but I was trying to think fast. He said he wanted to leave. Well, anyway, he will come when he feels like it.

MR. BELL: I am finished.

MR. McDONALD: I haven't anything.

H.M.JR: You didn't even start.

MRS. KLOTZ: He cleared everything Saturday.

They want to clear Mr. Glasser's going to Italy, see?

MR. McDONALD: Yes.

MRS. KLOTZ: I have the papers in my office.

- 3 -

MR. McDONALD: I understand that had been cleared earlier, but--

MR. BERNSTEIN: He has to leave very shortly.

H.M.JR: It is just a formality, getting my approval.

MR. BELL: Well, they could do that after he leaves!

H.M.JR: Had you spoken to me before?

MR. McDONALD: No, sir. I understand--

H.M.JR: What is he going to Italy for?

MR. BERNSTEIN: There is going to be a conference there on what to do about Italian inflation and other financial questions.

MRS. KLOTZ: I think it was Doctor White who brought it to your attention.

H.M.JR: He isn't here, so I can say I never heard of it before.

MR. McDONALD: I am fairly sure Mr. Bell had not cleared it before he left.

H.M.JR: Who is going to attend the conference?

MR. BERNSTEIN: I suppose there will be Army people, and the British, too.

H.M.JR: Who invites us?

MR. BERNSTEIN: I am not quite sure who invites us, probably the Army people. There was scheduled a discussion in Washington with Army and British people, too, before this discussion in Italy. I don't know whether it has come off yet.

H.M.JR: You tell Harold Glasser that before he goes on this one I would like to see the report on the last one. He

- 4 -

never finished it. At least, I never got it. Ask him where the report is on his last trip to Italy. I asked three times for that report, and he has always been too busy doing something else. Maybe that is unfair--

MR. BERNSTEIN: He is quite busy.

H.M.JR: What the hell is the use of sending him when I never get a report out of him?

MR. BERNSTEIN: I don't have anything, Mr. Secretary.

H.M.JR: Step out and see whether Glasser ever made a report on his last trip to Italy and whether I ever was given it. I think that was last March.

MR. BERNSTEIN: Yes, sir.

(Mr. Bernstein leaves the office temporarily.)

MR. BLOUGH: The Joint Committee didn't get to meet again last week, and it appears now they will probably let any further meeting go over until after the first of the year, which meant they had about an hour, and the military expenditures were read to them, but that is as far as they got on those two little pamphlets I showed you last week. I gathered they are in no great hurry. I understand that both George and Doughton have indicated that they were glad that the President signed the Social Security freeze and that they did intend to hold extensive hearings on Social Security.

H.M.JR: Doughton called me up during the middle of the week. I don't think I told you. He wanted to find out what the President wanted to do. I told him I was honored. Then he said he hadn't seen me - but that was my fault. Then he went on to say how pleased he was with the work you have been doing.

MR. BLOUGH: Thank you.

H.M.JR: You're welcome! Anything else?

MR. BLOUGH: I'll tell you about it some other time. You remember the day you and I went down there and he said he had

- 5 -

changed his mind about me - so apparently he thought I was the arch villain.

H.M.JR: Now he thinks it's Bell?

MR. BLOUGH: Now there is none.

MR. O'CONNELL: They'll find one. Give me a little time!

H.M.JR: Have you thrown your crutches away?

MR. HAAS: Just temporarily.

Did you see Saturday's figures on the Drive?

H.M.JR: They told me about it last night - eighteen something.

MR. HAAS: Nearly eighteen and a half billions.

H.M.JR: Yes - so much so that I thought I'd make my speech twenty, but I let it stay where it was. Bell called me up and said, "Why don't you make it twenty?"

MR. BELL: You know me!

MR. HAAS: We'll probably make twenty.

H.M.JR: I got those figures that you were kind enough to get for me on the shipment of apples.

MR. HAAS: Will they work all right?

H.M.JR: Why doesn't the Department of Agriculture furnish apple-growers stuff like that?

MR. HAAS: I don't know.

H.M.JR: A Market Division - My God, what do they get out?

MR. HAAS: I don't know. For instance, here is what they have on it. You have to have it by varieties, by size and grade, and by price. That is real information.

- 6 -

H.M.JR: You didn't include prices.

MR. HAAS: No, I didn't know whether you wanted it. You want the size and grade, too?

H.M.JR: Yes. But why don't they furnish that to the public? Will you find out?

MR. HAAS: Yes. I don't know what is the matter.

H.M.JR: The agricultural situation - they still haven't got out of this idea, they produce more, but when it comes to spending any money and how to distribute it or market it, they don't know.

MR. HAAS: They have a regular Market News Service, and you would think they would put that out. I'll look it up.

MR. LUXFORD: The Italian Mission is coming in this morning at ten thirty to have presumably their last informal discussion with us. We haven't had any meetings for the last couple or three weeks. We told them we were going to examine their request for specific data, and we'll discuss that with them this morning and get any final views they have and then set the stage for your making some final discussion with them. But I think that Harry will probably want to discuss that with you before we make any final arrangements.

The other thing - I think a number of us will probably want to talk to you about that Executive Order on Foreign Economic Policy Board at some point before there is another discussion with Stettinius.

H.M.JR: You mean the one I am to take up with Stettinius? Why not let's do that immediately after this meeting?

MR. LUXFORD: Whatever is convenient to Mr. Bell.

H.M.JR: Mr. Bell isn't busy!

MR. BELL: Sure, any time, twelve to twelve!

H.M.JR: All right, we'll do it right after this.

Joe?

- 7 -

MR. DuBOIS: I have nothing.

MR. PEHLE: I have nothing, this morning.

MR. O'CONNELL: I would like to talk for a moment about the Nation Associates, on which we had a town meeting in my office last week. As a result of the meeting, the score in voting was four to four of those present, but with Lux having a proxy for John Pehle, that made the vote stand five to four.

H.M.JR: Was it a written or a telephone proxy?

MR. O'CONNELL: It was oral. It was given before the meeting, so he had the advantage of not having had the benefit of the discussion!

H.M.JR: Very good, Joe, very good. He voted without the benefit of the discussion?

MR. PEHLE: He had my proxy to express a certain point of view, which I am sure he did.

MR. O'CONNELL: In all fairness to John, I would say the meeting changed no points of view at all. So, being one of the four I have prepared a memorandum which is, in a sense, the Minority Report!

H.M.JR: What about Glasser?

MR. BERNSTEIN: Mr. White's office does not have a final report on Glasser's study of the inflation problem in Italy. Mr. Glasser's office thinks there has been a preliminary report, but no final one yet.

H.M.JR: He is outside. Will you step outside, because I asked for that. I have this unfortunate memory. I asked for that either two or three times. I was tremendously interested; I wanted to get in on the situation. I said I would give it to the President. I never got a report. Now, what's the use of sending a man to a country? If I am wrong, you talk back.

MR. BERNSTEIN: No, sir, I think it is very well that you are interested.

- 8 -

H.M.JR: I was interested. It was then before everybody knew about this business, and I never got a report. Now, what is the use of sending them back over there again, if, as Secretary of the Treasury, I don't get the benefit? You go on and have a little talk with him. If I am unfair, you tell me.

MR. O'CONNELL: In all seriousness, we do have to come to a conclusion, and the people in the Bureau and Mr. Blough and Mr. Wales and his office, and I believe Oliphant's-- though it is a close case--you would be better advised to affirm the Commissioner's ruling that the Nation Associates are not exempt, at the same time telling the Bureau that you want from them a re-examination of the comparable cases and report within the period of time which I have stated to be three months at the outside, showing what they propose to do to correct the existing situation which is admittedly composed of a number of rulings or which includes a number of rulings which are out of harmony with it. That is the best judgment I can get on it.

H.M.JR: Well, I can also say, as long as you are being humorous, that their arguments didn't make any dent on you, either.

MR. O'CONNELL: That is right. I meant to include myself in that group. The people who have opposed this view have stated their views in great detail, and I must say that they have a very good argument. At the same time, the situation is complex. I think that we cannot avoid--or I cannot--thinking that to grant the Nation a tax exemption is to continue too far along the road that we have already gone too far on, and I would like to retrace our steps. The only way I can see is to tell the Nation no, and look back at the other rulings to get a more consistent pattern.

H.M.JR: That wouldn't mean that in three months we might not reconsider the case again.

MR. O'CONNELL: That is right. What I have said to the Commissioner is, "You go ahead and tell the Nation again that they are not exempt. You re-examine the cases in the educational field that are at all comparable to the Nation,

- 9 -

and give me a report in three months telling me what you have found and what you propose to do." I have included a couple of the specific suggestions which I understood you had made, one about not giving them an exemption until they had been in operation a certain length of time.

H.M.JR: I didn't say that.

MR. O'CONNELL: I think you did suggest that there should be a periodic re-examination. That is in that memorandum as one of the specific suggestions that you wanted consideration given to and included in the report that I have asked for in three months. In any event, that is the best view that the people that agree with me could come to.

H.M.JR: Could one of the four and a half votes take five minutes to state it?

Do you nominate yourself?

MR. LUXFORD: Yes, sir. Neither Mr. Gaston nor Harry White is here, and I feel they think vigorously with the four and a half that you should not take any action on the Nation at this point which would deprive them of the privileges which you are giving to Brookings Institute, for instance. The issue comes down to this, at least in my mind--I can't speak for more than that. This is not a true legal question. There is no question but what legally you could rule either way. The question then comes down to one of policy and one of administrative practice. It seems to us on that score you have really two or three alternatives, one is to apply a very strict construction which would mean you would cut down a great deal on the number that now have the privilege, but applying it on that basis means that you are going to run into some extremely difficult problems as to what is propaganda and what is educational. As far as I am concerned, the Brookings Institute is one of the best examples.

If you read what they hold themselves out to be, one, an influencer of public opinion, and, two, to train people, it is perfectly obvious that that is propaganda in a broad sense

- 10 -

and it isn't propaganda in a narrow sense, in exactly the same way the Nation falls into that category, just happens to reflect a different point of view from Brookings.

Now, if the minority of four were to say that today they are prepared to also knock Brookings off and re-examine the whole situation, then I would say fine, but so long as they are going to an ad hoc basis, say, we are not going to give it to the Nation, but we are prepared to let continue a whole pattern which includes a great number of institutions, not unlike Brookings and not unlike the Nation, when I think it is bad, and I call your attention to the fact that you are going to be in trouble if you try to deprive Brookings of their status.

It seems to me that that is clear, that the forces of conservatism are going to scream at you if you try to deprive them of that position.

On the other hand, giving it to them--I think the forces of liberalism have a justifiable complaint if you do not accord it to them, and I would suggest that there is no reason here why you have to have a narrow construction.

Congress decided that they wanted to foster educational facilities, and I should think that would include liberal education as well as conservative education.

- 11 -

H.M.JR: You are talking about people screaming and yelling -- How would the conservatives react if I give the exemption to the Nation?

MR. LUXFORD: It does not seem to me that is a test.

H.M.JR: Now wait a minute. Let's just say for argument we give it and it becomes public property like everything else in this town, and either Joe or Roy Blough or myself is called up before the Joint Committee and asked for an explanation. Roy, what would you say? I don't know where you stand.

MR. BLOUGH: I would ask to be excused in that case, because I don't think Congress ever had the foggiest, dreamiest notion of allowing this type of exemption to this type of institution. Education, I think, very clearly meant to them institutions of learning. Now it may be necessary with the passage of time and the changes in methods of doing things to expand it somewhat beyond institutions of learning, but when you have gotten completely away from the institutions of learning idea and have gotten to a magazine of general circulation which is being sold on the market, I think you are very far away from the purpose that Congress had in mind, and it would be extremely difficult to defend. Moreover, you would then be up against the problem of what about Social Justice, what about Gannett's League for Constitutional Government, what about a great many other very reactionary institutions which would like to have this exemption to which you would almost be forced to extend it. But I am against it primarily on the ground that I don't think it was the sort of thing that Congress had in mind when it made the exemption.

H.M.JR: I have this as a suggestion. Let me read this memo to myself. Why don't you do it this way, seeing that this is a ruling by Solomon? Instead of turning the Nation down, leave it in suspense and ask the Commissioner to restudy this whole thing and give me an answer by the 1st of February. Thirty days is ample time. Let's not turn the Nation down, but just leave it in suspense. By the 1st of February I want a reexamination of the whole thing, because once having turned them down that in itself is precedence.

MR. O'CONNELL: We have already turned them down once.

- 12 -

H.M.JR: But you are having me turn them down over my signature. Leave the thing in suspense, because I think for instance what Roy said, just the way I said to the publishers of the Nation, "There are other things besides yourself, like America. First which are correlated and are very, very important." Miss Kirchwey's answer was, "Well, I consider that more important than our own case."

And I am inclined to agree with Roy, that this exemption -- you can't distinguish, I can't pick the Nation and give them exemption and at the same time turn down Social Justice or the Silver Shirt Magazine or any one of a dozen.

MRS. KLOTZ: Mr. Morgenthau, did they give it to the Free World?

MR. O'CONNELL: They did. That is what we are going to look at.

H.M.JR: That was wrong. Two wrongs don't make a right.

MR. LUXFORD: Be sure you have Free World knocked out, some of the other liberal magazines knocked out, and you will end with having Brookings and the forces of --

H.M.JR: They are not a publication.

MR. LUXFORD: Mr. Secretary, you should read the Format on their books. They say they have two purposes.

H.M.JR: All right. Well, I don't know how long ago Free World got --

MR. O'CONNELL: Very recently -- I think it was in July.

H.M.JR: That does not make it right. The fact that somebody over there put it over on the Bureau does not make it right, and I don't want to over my signature confirm this, do you see? I want this kind of thing that these gentlemen are mentioning, particularly Brookings-- look up some others you see who are doing propaganda under tax-exempt privilege.

- 13 -

MR. PEHLE: Would that study show those who are getting the exemption and those who weren't, because I think that would throw a lot of light on the question for everybody?

H.M.JR: And you have forty days in which to do it.

MR. O'CONNELL: I don't think that is nearly enough, sir.

H.M.JR: Let's have an interim report, then.

MR. O'CONNELL: There are literally thousands of tax-exempt institutions and other thousands of rulings.

H.M.JR: Brookings is only one. Take ten other cases like Brookings. Take the Steuben Society, for instance. I don't know how many more. Take them on both sides -- but I think we ought to divide them into publications and foundations.

MR. LUXFORD: Why? Can't a foundation carry on propaganda?

MR. DuBOIS: The statute says specifically --

H.M.JR: Anyway, I am not over my signature going to confirm this at this stage, but from what Roy said I lean that way. Now I understand what these men are talking about, that it looks right now as though we would be stepping on the publications that we want to encourage and encourage the publications we want to step on, but as Secretary of the Treasury I can't pick and choose my publications.

MR. PEHLE: That is what you will do once you start.

MR. O'CONNELL: That is what you are necessarily going to do.

MR. LUXFORD: That is what we are urging you to do. We are urging you not to pick and choose --

- 14 -

H.M.JR: I am not going to sign this letter, but I am going to ask for a report -- get a hundred cases of all kinds, Joe. You don't have to examine two thousand.

MR. O'CONNELL: You have to take a look at the two thousand in order to get a line on the typical cases, I am afraid.

H.M.JR: All right, Joe, get somebody over there and let these people who are interested be in touch as the thing goes along, so they can make suggestions and criticisms.

MR. O'CONNELL: Yes. What do we tell the Nation?

H.M.JR: You call up Miss Kirchwey and tell her I find it is a very difficult thing, that the Bureau again has recommended that I reject it, but I have not wanted to do it; that I have asked for additional information which I will receive on the 1st of February, and that shortly after that I will invite her to come down and will let her see what we have; that I will invite her to come down and see me again with her attorney, and she and her attorney can go over the material.

MR. O'CONNELL: I would like to have another month, sir. Norman Cann, who is the man responsible for this operation, is on the West Coast. He won't be back until the 6th of January.

H.M.JR: All right, but you call up Miss Kirchwey -- I'll do it myself. (The Secretary places call for Miss Kirchwey)

MR. LUXFORD: Would it be difficult to get just the names of these? I would like to know the names.

MR. O'CONNELL: I have the list in my office. That is what concerns me about the time element.

H.M.JR: You are sympathetic with what we are trying to do?

MR. O'CONNELL: Sure.

H.M.JR: It is just a question of your having the

- 15 -

legal responsibility. Now, my assistants have a wonderful time. All they have to be is responsible to me, and that is nothing! They are free lancers.

MR. PEHLE: Shoot!

MR. O'CONNELL: This question of tax exemption under 101 is a much more difficult question than is ordinarily perceived by people who don't have to deal with it and work with it all the time, and it is more difficult to say, "Let's make everything consistent" than to do it.

H.M.JR: I want some kind of report on the 1st of February.

MR. LUXFORD: Let us have an opportunity to write out a report too if we don't agree.

H.M.JR: Let them see the report while it is being done. Whoever is doing it, let them have a crack at it.

MR. BLOUGH: I would like to add my voice to Joe's to this extent, that you not promise Miss Kirchwey an answer right after February 1, because you may need a little more time.

H.M.JR: All right, I'll tell her. I'll tell her to come down and we will give her something on the 1st of February. My God, the world moves! She had a smart attorney. They made some good suggestions.

MR. O'CONNELL: Yes, he is pretty good, but I would like to emphasize again that the question of tax exemption under 101 is one which has not been and should be constantly reexamined by the Congress and maybe next year it will be -- my guess is for a reason that has nothing to do with the Nation. You remember the letter I wrote to Senator Vandenberg for your signature yesterday about the Petrillo Union. That is an exemption problem under 101.

H.M.JR: My complaint is not primarily about the Nation, because I have talked about this for a great many years, about this thing which should be reviewed and the fact that the person gets something doesn't give him a license for the rest of his existence. This thing

- 16 -

should be constantly reexamined and I don't think the will to do that is over there. In other words, I don't think they are worrying too much about Social Justice and Brookings Institution and that kind of thing.

(The Secretary holds a telephone conversation with Miss Kirchwey.)

December 18, 1944
10:36 a.m.

Operator: Miss Kirchwey.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Freda
Kirchwey: Hello.

HMJr: Henry Morgenthau talking.

K: Oh, good morning, Mr. Morgenthau.

HMJr: How are you?

K: All right.

HMJr: Miss Kirchwey, I just want to tell you we're having a "helluva" time over trying to decide the status of your publication. Now the Bureau has come back again and recommended that we turn you down again, which I'm not going to do. Hello?

K: Yes, I'm listening....

HMJr: But

K: very carefully.

HMJr: But we are going to study very hard some of the other kind of institutions which have this

K: Yes.

HMJr: exemption, which we don't like.

K: Yes, I see.

HMJr: But -- and which are dangerous. Now, I've asked for -- they've asked for three months, and I've told them I want an interim report by the first of February.

K: I see.

HMJr: On all of these things.

K: Yes, I see.

HMJr: I don't want to name them but

K: No, no, I know from our last talk.

HMJr: That's right. And right after the first of February I'm going to invite you and your attorney to come down and I'll show you how far along we've gotten.

K: All right. Good enough. I appreciate that.

HMJr: But that leaves it still an open question, but our problem isn't so much your publication as it is these other institutions which are doing things which you and I don't like.

K: I know that.

HMJr: That's what bothers me.

K: Yeah. Well, I -- I'm very much interested in that. I don't suppose there is anything we could do in the way of sending any additional information, because it isn't particularly -- doesn't particularly bear on us, does it?

HMJr: No, it -- it would be more on the other kind of people.

K: Yeah.

HMJr: But they asked for three months, but I'm giving them one month.

K: (Laughs)

HMJr: And after that whatever I've got, in confidence I'll let you look at.

K: All right. Thank you so much, sir, and thank you for calling me.

HMJr: Not at all. Bye.

O. K.?

MR. O'CONNELL: O. K.

H.M.JR: It is all right. Listen, there are so few instruments for liberality left in this world and so much has happened which is depressing in the last few weeks that when you have a few little spring flowers like the Nation and the weather is damned cold and getting colder all the time, I am going to nurture them. Now that is the situation.

My God, things are discouraging all over the world. You'd think we were sitting at a peace conference now. Every cartel has got in on this thing. I just don't let myself think about it. I mean, my boys -- Are they there to put the King of Greece back and King Peter and all these other forces of reaction? I mean, is that what all of our relatives and brothers have fought for, to do this thing? A person gets so bitter, and here is something, struggling along like the Nation, and I am willing to stretch a point, Joe.

MR. O'CONNELL: You don't have to stretch a very big point as far as either the Bureau or I are concerned legally. I was rather thinking of it as a thing that would cause you more trouble than would do you good. The Bureau would not object strenuously at all if you were to tell me this morning that we would like to exempt the Nation -- you'd never hear any more from me.

H.M.JR: No, I am very sincere. I don't want to exempt that Nation today, but I am a damned sight more interested in some of the exemptions that some of these other institutions have got. Exempting the Nation

-17 -

would only put me in a false light, because they would say I was prejudiced; but I want to see some of these other publications which can only exist because they have exemption. Now you are in there and I have put you in there because I know in the first place you think right yourself and you will do what I want as long as you think it is right. What I am much more interested in is, Why can't we make some progress against these institutions who only flourish because they have exemption. These rich people give five thousand dollar checks -- they'd think twice before they gave these things to these institutions if they could not deduct it from their income tax. Now this is a serious piece of business and I want the best talent we have got on it. I don't know who is over in the Bureau, but there must be -- get some fresh minds on the thing. Is Oliphant well?

MR. O'CONNELL: No. He won't be back until after the first of the year.

H.M.JR: Well, the fight will still be there. Have I made myself clear? Does anybody want to add to what I have said? Have I covered the field?

MR. BERNSTEIN: Mr. Glasser said he will have a final report at six o'clock tomorrow evening.

H.M.JR: Listen, I am in a good humor this morning, but let this be a lesson. Find out how many other people have been abroad and have not made report -- How many other people have gone abroad and have not made reports?

MR. KLOTZ: Joe's ears are burning!

H.M.JR: Well, I wasn't thinking of Joe, but this is a very good example.

MR. BERNSTEIN: You are not counting all the reports, Mr. Secretary --

H.M.JR: I am speaking of White's division. You do a little checking up on this business. (To Mr. McDonald) Here is Friedman just back from China. What is he going to

- 18 -

do now? Take it for this calendar year; just look up how many people went abroad for anybody. That would include Joe -- and have they made a report if they were called for a report. I am going to sign this and give it to you, but you wait until we get the report. (Secretary hands travel authorization letter on Mr. Glasser to Mr. McDonald.)

MR. McDONALD: That will not require your signature, Mr. Secretary.

H.M.JR: Is that fair?

MR. BERNSTEIN: Yes, sir. You will have these reports tomorrow.

MR. BLOUGH: Six o'clock!

H.M.JR: You check up on the rest of the people, because it is silly sending these people across and then -- I wanted that for the President last March. It might have done some good. That was long before all these people went overseas, all the fussing, everything else.

You started to say something, Roy.

MR. BLOUGH: No, I just withdraw.

MR. BELL: I have just had a report on the market, Mr. Secretary. The new two's and a half are quoted at four and five thirty-seconds premium and the market is very inactive. The new two's are reported at nine to ten thirty-seconds premium and the market is very active in bank buying.

H.M.JR: Above par?

MR. BELL: Yes. The one and a quarter per cents are seven to eight thirty-seconds premium and the market is very inactive. The new certificates are selling on the basis of eighty-three to eighty-two hundredths. That is a premium of about two thirty-seconds. The market is very inactive. Mr. Rouse wants to know if I want to sell some new two's at the nine or ten thirty-seconds premium. I think it might be a good thing to sell a few of them.

- 19 -

I took some in on the trust fund purposely to do this if the market got too active on that side, but I won't be in a hurry on that.

H.M.JR: Let them have a little taste -- talk to me again about it.

MR. BELL: But I did take a hundred million two's.

(The secretary holds a telephone conversation with Mr. Charles Riegelman.)

December 18, 1944
10:45 a.m.

HMJr: Hello.

Charles Riegelman: Hello, Henry.

HMJr: Hello, Charlie.

R: Hello. I didn't do much of a job for you.

HMJr: You didn't?

R: No, I got my friend here pretty much upset and annoyed at me -- at my persistence.

HMJr: Oh.

R: He says the situation is that they bought out the president of the -- the company bought out the president's stock, who died, you know.

HMJr: Yeah.

R: And it was all done on the basis of the fact that Mr. Rosenthal would remain and reorganize the company.

HMJr: Oh.

R: And that the -- his family has \$2 Million for which he is responsible in the thing, and he just can't let him go. Now

HMJr: Who has \$2 Million -- Rosenthal?

R: No, the -- the Strasser family.

HMJr: Oh.

R: And they're relying a good deal on Rosenthal to -- to manage and run the company and reorganize it.

HMJr: Yes.

R: And that, therefore, he can't possibly give his consent.

HMJr: Yes.

R: Now, it occurred to me -- I don't think -- I don't know that it will do a darn bit of good. But he could turn you down much less easily than he turned me down.

HMJr: Yeah.

R: And I was going to suggest that if it's worth your while -- if you care enough about it -- to ask Rosenthal and him to come down and talk to you.

HMJr: Rosenthal and Strasser?

R: Yeah. You know Rosenthal may be telling you he wants to come when actually he may not. I don't know.

HMJr: I don't think that -- well, if he's that kind of a man, I wouldn't want him.

R: Well, I say -- well, he has certain obligations here, you know.

HMJr: Yeah.

R: He apparently gave them the commitment that he would stay.

HMJr: Well, I'll talk it over with Pehle and I'm ever so much obliged.

R: Now, Henry, while I have you on the wire, could I speak to you a moment about another matter.

HMJr: Yeah.

R: Lawrence Langner wrote a letter to you about getting a ruling and a closing agreement for the Theatre Guild.

HMJr: Who?

R: Lawrence Langner.

HMJr: Oh, yes.

R: I'm the attorney for the Guild -- have been for twenty-five years.

HMJr: Yeah.

R: As the result of that request that he made from your office, Mr. Cann, the Deputy Commissioner, arranged a very immediate conference which we had in Washington in early November.

HMJr: Yeah.

R: And we've had no word since. And Lawrence had me on the wire yesterday and I wondered whether you would be willing to put through an inquiry just to find out what happened to it.

HMJr: Sure. I'll ask the General Counsel O'Connell to look into it and let you know what's happened.

R: All right. I'd -- I'd appreciate that very much.

HMJr: Okay.

R: And if you want to do the other thing, please don't mention that I suggested it, will you?

HMJr: Right.

R: Because I -- he'd be sore as hell at me. I almost had a blow-up with him.

HMJr: I'm sorry.

R: That's all right. I believe it's worthwhile and I -- I just don't agree with him, that's all.

HMJr: Okay.

R: All right, sir.

HMJr: Thank you.

R: Good bye.

H.M.JR: He has got a Theatre Guild case pending since last November.

MR. O'CONNELL: Tax exemption?

H.M.JR: Yes.

MRS. KLOTZ: He wrote you about it and we turned it over to you. (Indicates Mr. O'Connell)

H.M.JR: Well, it most likely went to John Sullivan. If anybody wants tickets for Oklahoma, here is a chance to get them.

MRS. KLOTZ: It is on Oklahoma.

H.M.JR: They want to take a troupe out, start another Oklahoma Company, but they want to know where they stand.

MRS. KLOTZ: What he wanted was the ruling expedited.

MR. PEHLE: I think they are educational!

H.M.JR: Especially the song, "I Can't Say No." Anyway, it is somewhere around.

MRS. KLOTZ: I turned it over to John Sullivan. Oh, no, Mr. Gaston made that appointment with Mr. Cann.

H.M.JR: He says it is with Norman Cann.

MRS. KLOTZ: I was away, that is right. Mr. Gaston

- 20 -

made the appointment with Cann and all he wanted was the thing expedited. He did not ask for anything special.

H.M.JR: All he wants to know now is where it stands.

MRS. KLOTZ: That has been going on now for a long time.

H.M.JR: He said the last they heard was the 1st of November.

MR. O'CONNELL: When I find out, do you want me to call him?

H.M.JR: Yes.

MR. O'CONNELL: Again, it is not a question of whether we give them the exemption or not --

H.M.JR: This is different. Here is a taxpayer who just wants to know what has happened -- Why can't they hear from the Bureau. This is quite different.

MR. O'CONNELL: I suspect the Nation case itself has probably slowed up the issuance of rulings in the field of 1016, because it did bring them up short and they did realize, I think --

H.M.JR: O. K., that is good. Now I have nine minutes left to do this thing connected with Stettinius.

234
Country

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Dec. 18, 1944

TO Secretary Morgenthau

FROM Mr. Glasser *AG*

Subject: Developments concerning Italy since June 1944.

1. In July 1944, the bread ration for southern Italy was increased to 300 grams per person.

However, in the areas liberated after the first of June, the bread ration has continued, up to the present, to be only 200 grams per day. Recently, the President issued direct instructions that the bread ration for all of liberated Italy be increased to 300 grams, "irrespective of the consequences." The conviction that 300 grams of bread per day is the minimum ration permissible is now widespread, even to the British. In a document prepared by Harold MacMillan, dated December 13, the 300 gram bread ration is called "the linchpin of the entire plan" for the reorganization of Allied-Italian relations.

The 300 gram bread ration has become a slogan and the emphasis placed upon this slogan is attributable in no small part to the position taken by the U. S. Treasury in Washington and in Italy, directly and indirectly, in discussions on this question.

2. The Treasury Department initiated, drafted and pushed through a program for giving to Italy the dollar equivalent of troop pay expenditures in Italy. This single act, which is purely Treasury in origin and development, and solely to the credit of the Secretary of the Treasury, is the most important step which the U.S. Government has been able to achieve in its Italian relations. Both the U.S. and U.K. Governments have given the Italians a large number of words since June 1944, but this is the only case where the U.S. Government gave them something solid and meaningful.

- 2 -

The importance of this step to Italy cannot be over-estimated, and the Italian public greeted the President's announcement of October 10 as the most encouraging and the most important step in Italian life since the fall of Mussolini.

3. The British have now (December 13) taken the first step towards giving the Italian Government some authority in Italy. They have now also agreed to widen the scope of the supply program in Italy to enable a minimum amount of supplies, other than food and medicines, to be imported. The British propose, of course, that the increased import program to Italy be the financial responsibility of the United States.

As yet, the supplies have not gone forward; it is still in the discussion stage.

4. The British have been considering the anti-inflation program for Italy during the past five months, even though a British Treasury representative participated in, and approved, the program last June. The British gave their comments to the Combined Chiefs of Staff only as recently as November 27. However, the Allied Control Commission has been discussing the program thoroughly with the Italian Government during this period of British consideration with some minor action having been achieved.

5. Except for the above steps, our relations with Italy do not differ from that of last June.

TREASURY DEPARTMENT

236

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

FROM Mr. Glasser *H.G.*

Subject: Report on Assignment to Italy: -- April and May 1944.

I.

My instructions were to assist the Allied Control Commission, at its request, in the study of inflation in Italy and in the preparation of a program designed to control inflation.

These instructions were carried out and the mission was completed by June 2. A program for the control of inflation was prepared by the special committee of the Allied Control Commission, of which I was a member, approved by Allied Force Headquarters, and was submitted to the Combined Chiefs of Staff for concurrence.

II.

Summary view of the Inflationary Movements
in June 1944

1. The situation in Italy can be summarily described as being serious with many dangers apparent, but by no means hopeless or beyond the possibility of stabilization within the coming months.

2. The inflation is apparent in Italy in the uncontrolled and black markets and in the trade in

the supplies stolen from the military forces. Bread obtained on the black market cost 60 cents (U.S.) per pound. A truck tire, \$400 (U.S.), a gallon of gasoline \$3 (U.S.).

On the other hand, there are stable elements in the price system which serve to contrast and emphasize the inflationary elements. For instance, the price of bread obtained on the legal ration is less than 2 cents (U.S.) per pound. Other commodities included in the ration (when obtainable) are equally low in price. The general wage level is only 60 percent higher than it had been for years before our entry into Italy. There is no apparent fear of the future value of the currency. A substantial portion of the new currency being issued is returned to the banks in the form of bank deposits.

3. The most dangerous element in the economic situation in Italy today is the small amount of food and necessary consumers' goods which pass through the legal and controlled markets. The present bread ration of 200 grams per day gives to the Italian people a food ration of only 850 calories. This is inadequate to sustain life, even in a country such as southern Italy which has always had a low standard of living by European standards. The people whose income is derived from controlled wages do not obtain enough food at ration prices. They must go to the uncontrolled or black markets to supplement their legal rations and the simple fact is that they do not have enough income to compete in the black markets.

This is the great unstable element in the present balance between inflation and stability. If the bread ration were increased to 300 grams per day and thus raise the content of the ration to 1150 to 1300 calories per day, the pressure on black markets would be relieved to such an extent that the danger of an accumulating inflation would, in my opinion, be greatly alleviated.

- 3 -

4. The second most dangerous aspect of the current situation is the failure of the military authorities to provide even a minimum of transport for civilian requirements. The army has requisitioned the bulk of usable Italian trucks and automobiles. Even more important, they have requisitioned the hundreds of small and large boats which the Italians used for fishing and for coastwise shipping and thus have taken away the principal means of civilian transport and an important source of food. Furthermore, the military has taken over factories and industrial establishments which could now be starting the process of rehabilitation.

The military situation may require the army to impose these sacrifices on the Italian economy and the Italian people. However, it is a very serious burden and may result in an unjustified decree of economic chaos in Italy.

5. The supply program now carried out by the military is directed only towards supplying the minimum amount of food and medical supplies to avoid "disease and unrest". There is practically no provision being made for those supplies which are necessary to maintain Italian production of the basic commodities for living. The reason for this inadequate program is, of course, dominated by the shipping shortages, the supply shortages and the fact that the Italians have no foreign exchange assets with which to make purchases in the United States.

6. The spending by Allied troops in Italy is a factor towards inflation, but is not as important as the budgetary deficit of the Italian Government itself, nor is it as important as the transport and industrial facilities taken over by the Allied armies

for use in the war effort. The U. S. Army personnel are spending only about 16 percent of their pay in Italy and those expenditures hardly touch the central supplies available for the Italian civilians. The French and British forces, of course, live off the country to a much greater extent than does the U. S. Army, and the effect of their operations are, therefore, more serious.

7. There are optimistic factors which can be relied upon to carry Italy through the stormy period ahead, although the strength of these factors is rapidly being dissipated by the absence of a real program for economic stabilization in Italy. These factors are:

- (a) The 80 percent reduction in the exchange rate for the Italian lire has proved to be a boon to Italy rather than a handicap which critics decry. There is no fear in Italy of depreciation in the exchange value of the lire. Rather, the Italians still look forward to the possibility of appreciation. Therefore, there is no apparent escape from currency in Italy. (There is, of course, a desire to hoard United States dollars and the black market rate for dollars of 250 lire per dollar is a reflection of that hoarding, plus the fact that there are few U.S. dollars available for purchase.)
- (b) The present foreign exchange rate for the lire provides a cushion which will permit substantial increases in legal prices and wages without threatening the future ability of Italy to resume exports and re-establish its financial independence.
- (c) The Allied Control Commission and the Italian Government have succeeded in keeping the wage level relatively stable. In view

- 5 -

of the small quantity of food and the absence of clothing in legal and rationed channels, this is really a great achievement. It reflects the inexhaustible patience of the suffering Italian people. It reflects, I believe, the willingness of the Italian people to suffer sacrifices in order to achieve the liberation of the rest of Italy and in the hope of becoming an independent and democratic nation.

- (d) The prospect of an exceptionally good harvest this year, although military operations may destroy a portion of the crop. The harvest begins in June in southern Italy and reports indicate that the crop of cereals may be 20 percent higher than that of the previous year.
- (e) The program for collecting the wheat production is being conducted in a democratic manner based on patriotic motives. This is something new for Italy and is in the nature of an experiment along democratic lines. It is my belief that this program will be much more successful than were the previous fascist programs of forced collections.

Unfortunately, however, the Italian Government has insisted on paying a high price for wheat, almost three times as much as the price for the previous crop. The Allied Control Commission, particularly the financial sub-commission, strongly advised the Italian Government to adopt a lower price, but they refused to do this.

- (f) There is hope that the liberation of northern Italy will come quickly and that the liberation might come without too much destruction to Italian industry. As long as this possibility exists, the Italian people will hope that their economy can be stabilized by their own efforts.
- (g) The Italian people still have faith that the United States in particular and the United Nations in general will not permit their country to "go down the drain."

III.

What can be done now?

1. The first and indispensable step which must be taken is to provide the Italian people with a daily ration of at least 1150 to 1300 calories per day.

This step is the sine qua non of any economic program for Italy. Not to take this step is condemning Italy to economic chaos and to a cruelty wholly inconsistent with the philosophy of the United Nations. It is unjust as well as unwise, while we are fighting a desperate war, to give such treatment to potential allies. The Italians are pleading with the Allies for the opportunity to participate to an ever greater degree in the war against the Nazis and it is the Allies themselves who prevent the Italians from making a larger contribution. The Italian people look to the United States in particular for recognition of their democratic aspirations and look to us to help them to achieve democracy. Starving the Italian people will not encourage them to look to us for guidance, but they will look elsewhere, particularly to the East.

The objection to increasing the bread ration to 300 grams comes from the Army supply people who feel that the wheat and the shipping to carry the wheat are not available for Italy in view of military shortages. It is my view, after studying the situation in Italy, that the increase in ration may require an increase in imported wheat, but this increase will not be more than 10 to 20 percent of the present imports. The reason for this is that an increase in the bread ration will force the prices in the black markets downward and thus make it less profitable for farmers to sell on the black market. A small decline in the black market price will increase the legal collections. Furthermore, the frauds now being perpetrated in the black market for bread would decrease as soon as the people were able to get a set standard of food consumption in the legal markets.

The experts on the Allied Control Commission are, in general, in agreement with this analysis. The supply people in Washington, however, are not.

2. The wage level in Italy should be maintained at present levels, but with the necessary proviso that the quantity of food obtained in the legal ration should be increased and a program developed for the legal distribution of other necessary commodities such as shoes and clothing.

3. The Allied armies should be pressed to increase its contribution to civilian transport, to the rehabilitation of public utilities, particularly electric power, and to give some necessary industrial supplies for Italian agriculture. However, the requirements of the military campaign in Italy have the highest priority and the Italians recognize and sympathize with this priority, even more than we do.

4. Preparation should be made for a currency conversion program combined with a heavy anti-inflationary tax. Unfortunately, such a program must await the liberation of the whole of Italy. An inflationary tax program, if combined with provisions for a confiscatory rate against fortunes made under "fascist privilege", from collaboration with the Germans, and from black market activities, should substantially reduce the volume of purchasing power and eliminate the explosive inflationary pressures underlying the Italian economy.

5. A program should be instituted for the re-funding of the Italian Government's internal debt at much lower rates of interest, for the elimination of interest on deposits and the lowering of the general interest rate structure. At the present time, the payments made for interest are an important source of inflation in the country. On the other hand, there is no economic justification for high interest rates since Italy is completely devoid of investment opportunities. This program should be combined, of course, with an extension of the existing programs designed to curb speculation.

6. The Italian Government should attempt to administer a flexible price policy on imports and local production. This policy should be designed to permit the maximum distribution of consumers' goods on a just basis, combined with a policy of maximizing government revenues from the distribution of luxury or semi-luxury commodities.

7. It is my opinion that the Allied Control Commission is not capable of operating the Italian economy in a manner which can successfully avoid inflation. Perhaps the Italians can't either, but an Italian Government which has the confidence and support of the bulk of the Italian people is the only type of government which can be capable of managing

- 9 -

internal economic affairs as to attain and maintain financial and economic stability. Therefore, it is necessary that the Allied Control Commission transfer to the Italian Government greater responsibility and authority for the management of Italian economic and financial processes.

The anti-inflationary program which the Allied Control Commission has just completed should be given to the Italian Government in an advisory capacity. The Italian Government should be given the responsibility and the authority to carry it out.

December 18, 1944
10:50 a.m.

FOREIGN FINANCIAL POLICY BOARD

Present: Mr. D. W. Bell
Mr. O'Connell
Mr. Pehle
Mr. Luxford
Mr. DuBois
Mrs. Klotz

H.M.JR: Go ahead.

MR. LUXFORD: Do you want to mention the only point I think there is any disagreement at all on?

MR. BELL: Go ahead.

MR. LUXFORD: It is the question of whether or not it is tactically wise at this point to try to suggest to Stettinius that we organize this kind of committee in London, Paris, and Italy at this point. We feel it will be difficult enough to win our battle on getting the committee set up here. If we can win that battle--if we can demonstrate that will work--then go into--

H.M.JR: Stop arguing, it is enough.

MR. BELL: Otherwise the order is O.K., I think. You remember you mentioned to me that ought to be considered. We have considered it, and we all agree that nothing should be done.

H.M.JR: We just tell the patient we want to operate on one thing; they when we get him open, we take out everything.

MR. LUXFORD: I will send you a copy of the order and memorandum?

H.M.JR: No, just give me the part I want to give to Stettinius. He will be in some time tomorrow. Just give me the one part, that is all.

- 2 -

MR. BELL: Well, attached to the memo is the form of executive order which carries out the memo.

H.M.JR: Who has that?

MR. LUXFORD: I will send it in to you right away.

H.M.JR: To Mrs. Klotz.

December 18, 1944
11:32 a.m.

Operator: General Greenbaum.

HMJr: Hello.

General
Greenbaum: Hello.

HMJr: Eddie.

G: Yes, Henry.

HMJr: How are you?

G: Fine.

HMJr: I understand you're going to see this Captain Bersinger.

G: I've seen him, yeah.

HMJr: Oh, you have seen?

G: Yeah.

HMJr: Well, then what I was going to say was too late.

G: However, I understand he's still around, same status -- but I understand that's without a job.

HMJr: Well, the only thing was I kind of promised him as a reward for what he did, that he could go home for Christmas. That was the thing.

G: He's going to go.

HMJr: That's all.

G: Yeah, we wouldn't interfere with that for a million dollars. He hasn't been home for five Christmases.

HMJr: That's right. That was what I was calling about.

G: Well, you're swell to mention it.

HMJr: Well

G: Well, he will get home.

HMJr: Do you think you can use him?

G: We got -- as far as he's concerned it just clicks a thousand percent, the impression he makes. It's a question here as to whether we want to enlarge on that type of work.

HMJr: I see.

G: I personally am all for it. I think he's a natural.

HMJr: Yeah, I -- well, as a speaker he just goes over wonderfully. And the boy's got a head.

G: Yeah.

HMJr: And I would like -- because I think, as Ted Gamble explained, occasionally be able to use him myself.

G: Oh, yes, that could be arranged easily. Ted told me about him. He certainly makes a wonderful impression.

HMJr: Okay.

G: Okay. Thanks a lot.

December 18, 1944
11:38 a.m.

Paul
McDonald: Yes, Mr. Secretary.

HMJr: Listen -- uh -- that inquiry I made about who is Shaeffer and his group responsible to

M: As of November 30, '43, when Fred Smith was here, he reported to him, sir.

HMJr: Yes.

M: And since then there has been no formal order to have him report to anyone other than yourself, but as a matter of practice, I would assume that he's been clearing some matters with Mr. Gaston.

HMJr: Yeah, well, I -- but here I get out an order -- I think it is something in writing, isn't it, making him responsible to Smith?

M: Yes, sir.

HMJr: Then Smith leaves and your office doesn't pick up the loose ends. Now, here's a loose end. Shaeffer isn't responsible to anybody.

M: It was my understanding that Mr. Bell had felt that there might be a replacement fairly shortly for Mr. Smith.

HMJr: Yeah, but when there are these gaps and loose ends, the office -- the Administrative Assistant should bring it to my attention.

M: Yes, sir.

HMJr: See? I just -- I started to dig on it this morning -- here's a fellow who isn't responsible to anybody, actually.

M: Yes, sir.

HMJr: I asked Gaston and Gaston said, "No, he will"; he said, "He drops down once in a while." The point is -- send me in through Mrs. Mannen a copy of the order which I signed when Smith came in. See? Now, when Smith resigned, the Administrative Assistant ought to pick up and say, "Look, Mr. Morgenthau, here's different things Smith did and you haven't assigned them to anybody."

- 2 -

M: Yes, sir.

HMJr: And you might bring that to Charlie Bell's attention in case this happens in the future.

M: Yes, sir, I'll be very glad to.

HMJr: I'm tough this morning.

M: All right, sir. (Laughs) .

HMJr: All right.

M: Thank you.

December 18, 1944²⁵¹
11:42 a.m.

HMJr: Good morning. I was talking to Mr. Gaston about Little.

Robert Coyne: Right.

HMJr: And he doesn't feel that -- while he thinks Little is excellent for War Bonds -- that he is what I want.

C: Right.

HMJr: So, there was no -- I don't know whether you've said anything to Little or not.

C: Ted, just in a preliminary way

HMJr: Well, I think that Little is fine and when I go out on the road to speak or do anything, I want him to handle the advance work for me as advance man. I'm delighted -- I wish you'd make that -- to him, you see?

C: Right.

HMJr: But when it comes to doing this intricate job over here of a thousand and one inquiries on the Treasury

C: Right.

HMJr: we just have to start from the ground up.

C: I see. Well, I think that's a good conclusion, sir.

HMJr: But I'm sure that will be pleasing to you because what's-his-name didn't

C: Right.

HMJr: Gamble didn't want me to

C: Right.

HMJr: But leave it in a way that I'm more than pleased with what he's done for me.

C: You bet.

HMJr: And you might put it this way, that I don't want to interfere with the War Bond set-up.

C: Okay.

HMJr: How's that?

C: That's fine. How did you like your press?

HMJr: Very well, what I've seen of it -- tops.

C: I thought it was extremely good.

HMJr: And I'm -- I'm waiting for the Atlanta papers.

C: Well, they should be here today, certainly, because they left Atlanta airmail yesterday.

HMJr: Send them over, will you, please?

C: You betcha.

HMJr: I'm delighted with everything.

C: I'm glad to hear it.

HMJr: Thank you.

C: Righto.

*Apprentice
12/18/44*

S. George Little, on leave of absence as President, General Features Corporation, New York City, has been serving as Special Consultant on newspaper operations for the War Finance Division of the Treasury Department since January 1944.

Mr. Little has been actively associated with the newspaper business for more than 20 years and has a wide acquaintance among publishers, advertising managers and editors alike.

Before organizing General Features Corporation (together with some former business associates) in 1942, he was for more than 10 years Executive Vice President of Home Economic Service Corporation, which syndicate served newspapers with news, editorial and advertising features throughout the Nation.

He began his newspaper career in Oklahoma where he was Advertising Manager of the Ada (Okla.) Daily and Sunday News, at the age of 18. He attended East Central State College of Oklahoma and took two years of post-graduate work in journalism at the Columbia University, New York City.

and
He was later associated with the Daily Oklahoman/Times, in Oklahoma City, and helped organize their financial news and advertising setup. He then went to North Carolina where he was Advertising Manager of the Asheville Citizen for three years before entering the syndicate business.

He was recently elected, (for the fifth consecutive year) Secretary of the Sales Executive Club of New York, which organization now has a membership of 1500 corporation business and sales executives.

Mr. Little was born in Marshville, North Carolina in 1903 and graduated from highschool there before entering college in Oklahoma.

December 18, 1944²⁵⁴
12:09 p.m.

Operator: Go ahead.

Colonel
McCarthy: Hello, Mr. Secretary.

HMJr: I just want to tell you how pleased I was with
this Colonel Exton that you sent over.

M: He's a fine boy.

HMJr: Yeah. And I don't know what they -- General
Bissell is sending over a Colonel Black tomorrow.
We'll see how good he is.

M: You'll find him fine, Mr. Secretary. He was
our former Military Attache to Germany.

HMJr: Who, Black?

M: Black was.

HMJr: Oh.

M: He was there at a time when -- when the Nazis
were reaching their full strength and just
before they attacked.

HMJr: Oh.

M: I believe he was also there at the time of the
invasion of Poland. I'm not certain of that.

HMJr: Oh.

M: And I think he stayed there almost to the
bitter end -- almost until we went in.

HMJr: Was he there with Truman Smith?

M: He was there -- I think -- I think he relieved
Truman Smith.

HMJr: I see.

M: At any rate, he -- he has a very excellent
insight into the psychology of the German
people -- was used by us on psychological
warfare for quite a long time.

HMJr: Yes.

M: And has a long record of good service in G-2 here.

HMJr: Well, I just wanted to tell you I was very much pleased with what you did this morning.

M: Well, thank you, sir. I'm awfully glad that Exton did a good job. He's about my age and I've known him always.

HMJr: He's your what?

M: He's about my age.

HMJr: Yeah.

M: And I have known him always. I thought you'd like him.

HMJr: I did.

M: Good bye, Mr. Secretary.

HMJr: Thank you.

M: Good bye.

December 18, 1944²⁵⁶
2:13 p.m.

Mac
Asbill: Mr. Secretary, this is Mac Asbill of Cummings &
Stanley. I'm associated with Truitt. He's out
of town.

HMJr: Oh, yes. Well, here's the thing I'm calling
about: he's been cabling Bill Bullitt about
his house for me, and I wonder -- I've talked
to Max Truitt about it just a week ago, and he
sent another cable to Bullitt. And I wondered
if there's anything in the office

A: You want to know whether there's an answer to
the second cable?

HMJr: That's right.

A: I can find out and call you back.

HMJr: Will you do that?

A: I'll be glad to.

HMJr: I thank you.

A: Thank you.

December 18, 1944
3:00 p.m.

COMPLETION OF ARMY NEGOTIATIONS WITH CHINA

Present: Mr. Friedman
Mr. Adler

MR. FRIEDMAN: You wanted the tables to General Hurley and a letter to Mr. Stimson.

H.M.JR: Has this been approved by State?

MR. FRIEDMAN: Yes, John Carter Vincent's initials are on it.

H.M.JR: What did he say when you sent it to him?

MR. FRIEDMAN: He did not say we had already informed them. I think the omission was significant.

MR. ADLER: They are very backward that way. They don't keep the field sufficiently informed. They complain all the time that they don't know what is going on in Washington.

(The Secretary signs attached letters to Secretary Stimson and Mr. Collado.)

H.M.JR: That is all right. Do they charge us with that?

MR. ADLER: Yes. That goes on Stabilization.

H.M.JR: General Richards? How about that?

MR. FRIEDMAN: He was the only one. Judge Patterson didn't really help out. He just signed the agreement.

H.M.JR: No, the man who helped the most was Clay.

MR. FRIEDMAN: After July? In the last phase of the negotiations?

H.M.JR: I have never met General Richards.

- 2 -

MR. ADLER: We were in telephone communications with Clay until the last stages. In the last stages something very peculiar happened in the War Department. The War Department's responsibility was transferred to the Fiscal Office of the General Staff, of which General Richards is the Director. It was taken completely out of Somervell's and Clay's bailiwick, and I was told that Clay's connection with it was personal, due to the fact that he visited Chungking in October 1943.

MR. FRIEDMAN: Of course, we could add both, General Clay and Richards.

H.M.JR: And Somervell. I would just change this and send it in this front way, and I will get it. Say General Somervell, General Clay, and General Richards.

MR. FRIEDMAN: Yes. It was transferred to General Richards. Who is he?

MR. ADLER: He is the head of the Fiscal Office of the Chief of Staff.

MR. FRIEDMAN: He is called the Budget Director of the U. S. Army, I believe.

H.M.JR: As a matter of fact, another General was in that, General Carter.

MR. ADLER: He is the Fiscal Director.

H.M.JR: There were three Generals who helped on it, Generals Clay, Somervell, and Carter, and I would put last General Richards. I have never even met the man.

MR. ADLER: Clay's contribution to the appended minutes is--you will have to save him from that statement.

H.M.JR: Am I taking for granted that he wants me to continue?

MR. ADLER: I think it should be taken for granted. The Army takes it for granted.

- 3 -

H.M.JR: All right, just cross that out. All right, what else?

MR. FRIEDMAN: That is all.

MR. ADLER: And I am taking the record of the agreement and everything else with me.

H.M.JR: All right. Is everything else all right?

MR. ADLER: Yes.

MR. FRIEDMAN: He is leaving tonight.

H.M.JR: Oh, well, good luck! Keep us informed, and don't forget that I like the gossip.

My dear Mr. Secretary:

I know that you will be pleased to learn that we have successfully terminated the rather difficult and arduous negotiations with Dr. Kung with respect to U.S. Army yuan obligations in China. In this connection, I would like to tell you that General Richards was most helpful to me and I am sure that he and Judge Patterson kept you fully informed on the progress of the negotiations.

In our settlement with Dr. Kung we agreed to the payment of \$210 million in settlement of all U.S. Army obligations incurred up to September 30, 1944. We also agreed to have quarterly adjustments and settlements with regard to yuan obligations of the U. S. Army incurred after September 30, 1944. I am now taking the necessary steps to obtain the information needed for the renewal of the negotiations in the near future for settlement of obligations incurred during the next quarter of 1944.

Sincerely yours,

Secretary of the Treasury.

The Honorable

The Secretary of War

ISF/efs 12/18/44

Ret. to 5323

To: Mr. Collado

From: Mr. White

Will you please send the following cable to the American Embassy, Chungking, China:

FOR GENERAL HURNEY FROM THE SECRETARY OF THE TREASURY:

The negotiations with respect to U. S. Army yuan obligations in China have been successfully terminated on the following terms:

1. The War Department shall transfer to the account of the National Government of China or the account of such agency of the National Government of China as the National Government of China designates a sum of One Hundred and Eighty-five million U. S. dollars (US\$185 million), in addition to the Twenty-five million U. S. dollars (US\$25 million) already transferred, making a total of Two Hundred and Ten million U. S. dollars (US\$210 million), in settlement of all U. S. Army obligations incurred up to September 30, 1944.
 2. This settlement does not include the yuan expended by the Government of the Republic of China for board and lodging of American armed forces in China. This sum will be credited to the National Government of China as reciprocal aid under Article VI of the Mutual Aid Agreement of June 2, 1942 at the request of the National Government of China.
 3. As stated in paragraph 1 above, this settlement liquidates all our obligations for U.S. Army expenditures in China up to September 30, 1944 (with the exception of paragraph 2 above) with the understanding that this settlement is without prejudice to the Chinese contention that the cost of the Chungking airfields is not included in the amounts referred to in paragraph 1 but should be treated as an item of reciprocal aid under Article VI of the Mutual Aid Agreement of June 2, 1942.
- In addition to the above it was agreed to have quarterly adjustments and settlements with regard to yuan obligations of the U.S. Army incurred after September 30, 1944. Mr. Adler, who has already departed for China, will give you more of the details of the agreement and the negotiations. He is also carrying for you a set of the documents relating to the financial negotiations.

Please repeat the above to General Tolson.

ISB/ots 12/19/44

262
December 18, 1944
3:25 p.m.

HMJr: Hello.

Basil
O'Connor: Henry, this is Basil.

HMJr: Good afternoon.

O: John L. Sullivan -- is he persona grata?

HMJr: Oh, yes.

O: Okay.

HMJr: Is that all you want to know?

O: That's all. He resigned without my permission. He's a great friend of mine, you know. I've known the boy for years.

HMJr: Well, now, come clean. What are you -- what are you cooking him for?

O: Probably three months into Poland.

HMJr: Oh.

O: That's for your own ears. You're the first one to know it. He doesn't know it even.

HMJr: He doesn't? No, he

O: But I don't have any secrets when I'm asking another fellow to help me out.

HMJr: No, he's a fine fellow and

O: Well, that's -- everything was all pleasant and all that?

HMJr: Very much so.

O: Okay, boy. Don't say anything about it though because I haven't even spoken to him.

HMJr: No. *

O: But I want to -- I need to send -- I've got two men that are going into Poland, off-the-record, and I want to send another fellow in at the head of the Commission that has some standing. You see?

- 2.-

HMJr: Yeah. No, John's a fine fellow.

O: And he's young and all that.

HMJr: Yeah.

O: Okay.

HMJr: I thank you.

O: How are you, Henry, all right?

HMJr: I'm fine.

O: Good. Thanks a lot.

HMJr: Hello?

O: Yeah.

HMJr: I feel I've got a wonderful job when I compare what Stettinius has got.

O: Are you telling me? (Laughs) Hello?

HMJr: Yes.

O: You said so.

HMJr: My Lord!

O: And -- of course, I was amazed. I can see though -- I mean, I want to be fair -- I can see a theory. I sat next to a lady the other day and she seemed to think that there was considerable in the opposition, but it amazed me because I've -- in fact, I thought the appointments were all so good that I was amazed at the ruction they stirred up. However, I can see where some people think there's too much on one side of the track.

HMJr: Right.

O: But, my God, I mean, it almost seems that if these days we don't have much time for that kind of thing, doesn't it?

HMJr: Well, it's a long story.

- 3 -

O: Let it be a lesson to you.

HMJr: Okay.

O: (Laughs)

HMJr: Good bye.

December 18, 1944
4:17 p.m.

HMJr: Hello.

State Dept.
Operator: Secretary Morgenthau.

Secretary
Stettinius: Henry.

HMJr: Yes.

S: If agreeable to you, I'd like to come on over now a little while because I want to have a visit and tomorrow looks like it's going to be just as uncertain as today was at lunch. How long are you going to be there?

HMJr: Well, I was hoping to get away by five.

S: Well, could I -- are you going to have any time between now and five?

HMJr: Sure, I'll make time.

S: Well, I'll be there in fifteen minutes.

HMJr: Very fine.

S: Okay.

HMJr: Be fine.

S: All right, old boy.

Print the complete address in plain block letters in the panel below, and your return address in the space provided. Use typewriter, dark ink, or pencil. Write plainly. Very small writing is not suitable.

Post 12/18/44

267



[CENSOR'S STAMP]

To

From
(Sender's name)
(Sender's address)
(Date)

Christmas Bond Certificate



UNITED STATES SAVINGS BOND
THE UNITED STATES OF AMERICA
 TEN YEARS FROM THE ISSUE DATE HEREOF WILL PAY

From

To _____

ISSUE DATE WHICH IS THE FIRST DAY OF _____

(MONTHS) (YEAR)

ISSUING AGENTS
 DATING STAMP

WAR SAVINGS BOND SERIES E

THIS BOND IS ISSUED UNDER AUTHORITY OF THE SECOND LIBERTY BOND ACT, AS AMENDED, AND IS SUBJECT TO THE PROVISIONS AND CONDITIONS STATED ON THE BACK HEREOF. IT WILL BE VALID AND PAYABLE ONLY UPON RECEIPT OF PAYMENT THEREFOR DELIVERED BY AN AUTHORIZED OFFICIAL OF THE TREASURY DEPARTMENT, WASHINGTON.

Morgan Jr.

NOT TRANSFERABLE

(A REAL bond inscribed as above is waiting for YOU)

Greetings

V-MAIL

470

268

AA

WU 22 68

NEWYORK NY DEC 18 1944 1213P

1944 DEC 18 PM 12 39

HONORABLE HENRY MORGENTHAU JR

SECY OF THE TREASURY

AM DUE FOR CONFERENCE WITH MR STRASSER THIS AFTERNOON STOP
MEANWHILE COMMITTEE OF BUSINESS MEN OF WHICH I SPOKE HAVE
APPOINTMENT WITH VICE PRESIDENT FOR ELEVN THURSDAY MORNING
AND WOULD LIKE VERY MUCH TO SEE YOU SOMETIME THURSDAY AFTER-
NOON AT YOUR CONVENIENCE TO DISCUSS PROPOSED NEW PROGRESSIVE
ORGANIZATION OF BUSINESS MEN STOP ~~PLEASE TELEGRAPH~~ PLEASE TELEGRAPH
ME AT TWO EIGHTY FIVE MADISON AVENUE IF YOU CAN ARRANGE TO SEE
US

MORRIS S ROSENTHAL.

H
T
R
E
A
S
U
R
Y
T
E
L
E
G
R
A
P
H
T
R
E
A
S
U
R
Y
T
E
L
E

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE Dec. 18, 1944

TO Secretary Morgenthau

FROM Mr. Haas

Subject: The Business Situation,
Week ending December 16, 1944.

Summary

Stock market: Stock prices rose to new highs for the year last week in very active trading. Heavy buying of railroad stocks continued to feature trading, with the Dow-Jones average of railroad stocks showing a rise of 10 percent since the beginning of the month. Stock transactions on the New York Exchange on Friday rose above the 2 million share level for the first time since July.

Industrial production: Civilian production has been virtually frozen at current levels as a result of recent WPB instructions in an effort to alleviate manpower shortages and speed up war production. The output of critical munitions items in November rose 11 percent above October levels, but was still 4 percent behind schedule. Plans are being prepared to expand facilities for the production of heavy tires in order to meet increased military demands.

Commodity prices: Commodity prices moved irregularly last week, with the Dow-Jones futures index off 0.5 percent and the BLS spot index of 28 basic commodities declining 0.2 percent. Steer prices weakened sharply on the threat of a shutdown of retail meat dealers in the New York area. In the week ended December 9 the BLS general index of wholesale prices was unchanged at the peak levels of the previous week.

Worsted freeze: The production of worsted wool tops and yarns will be restricted entirely to rated orders during the first part of 1945 in order to meet the sharply increased military demands. While this action will tend to further tighten the civilian apparel situation, no imminent shortage of civilian clothing is expected since present stocks are believed to be sufficient for the next several months.

Retail trade: Following a greater than seasonal rise in November, department store sales in the week ended December 9 rose 22 percent above year-earlier levels. The dollar volume of sales during the week was the largest ever attained in a weekly period.

- 2 -

Stock prices rise in active trading

The recent shift in public opinion toward expectations of a longer war has tempered the concern over reconversion difficulties and cutbacks which beset stock traders during the fall months. Following up the previous week's sharp rise in stock prices, the market again moved higher last week under the continued leadership of railroad stocks. The volume of trading on the New York Exchange consistently ran above one million shares daily, and on Friday rose above the 2 million share level for the first time since July. Moreover, the volume of bond trading on the Exchange on Friday reached the highest level since last February.

The current rise in stock prices has occurred in the face of generally cautious advices of investment advisory services and considerable bearishness in trading circles. This bearishness is reflected in a rise in the short interest on the New York Exchange last month of 63,000 shares to a total of 1,436,000, the highest figure since June 1933. On the other hand, according to brokerage comment, the usual year-end selling for tax purposes has been relatively small.

Prior to the recent upsurge in stock prices, second-grade railroad bonds had risen steadily since mid-September, thus providing a strong background for the recent sharp advance in railroad stock prices. Despite the sharp improvement in railroad finances during the war, investors and traders until recently have shown a marked reluctance to bid up railroad stock prices, presumably in the belief that an early end of the war in Europe was in sight. Now that public sentiment has veered heavily toward prospects of a longer war, fears of an early drop in railroad traffic have waned, and the Dow-Jones railroad stock average has risen 10 percent since the beginning of the month. (See Chart 1.) During the same period the Dow-Jones industrial average advanced 4 percent, and both averages have attained new highs for the year. Meanwhile industrial stock prices in London thus far in December have moved in a narrow range slightly above the November levels. (See Chart 2.)

Civilian production frozen

In an effort to alleviate the manpower shortage in war plants and speed up the output of critical munitions items, the WPB recently issued instructions virtually freezing civilian production at current levels. Although some exceptions may be made for essential civilian

- 3 -

requirements on the request of the Office of Civilian Requirements or in connection with the spot authorization program, further expansion in civilian goods production appears to be ruled out indefinitely. Apparently it is hoped that this move, in conjunction with recent instructions to draft boards to increase the drafting of older men who are not doing their part in the war effort, will halt the drift of workers away from war plants.

Critical munitions output improved

The recent intensified drive for increased munitions output appears to be making headway, on the basis of results announced last week by the Chief of Operations of the WPB. Output of critical munitions items in November is reported to have risen 11 percent above October levels, although production was still 4 percent behind schedule. The widest gains were shown in the output of B-29 Superfortresses and heavy artillery ammunition, which were up 30 percent and 23 percent, respectively. Despite the progress achieved, the WPB official warned that programs are increasing at such a rate that utilization of every possible resource in manpower, machinery and facilities will be necessary.

The output of large truck and bus tires in November rose 5 percent above schedule, but tire production is described as the most critical of the entire war program. Further substantial increases in heavy tire output will have to be achieved to meet military requirements, and plans are now being prepared for the construction of new facilities for the purpose. In addition, existing facilities of the industry are to be rounded out and expanded. As a result of the critical shortage of truck tires one company has announced that it is instituting a 7-day week operating schedule at once.

Commodity prices irregular

Commodity prices moved irregularly last week under diverse influences. The Dow-Jones futures index was off 0.5 percent and the ELS spot index of 28 basic commodities declined 0.2 percent. The most important factor in the decline of the latter index was a 6.2 percent drop in steer prices, reflecting nervousness over the threatened shutdown of retail meat dealers in New York. (See Chart 3.)

- 4 -

Corn prices declined noticeably on increased marketings, and cottonseed oil dipped below ceiling levels.

On the other hand, hog prices moved irregularly higher last week. In connection with hog prices, the OPA revised upward the ceiling prices on the heavier weight barrow and gilt hogs in a move to encourage feeding to heavier weights, now that grain supplies are again adequate. The continued substantial movement of cotton into Government hands under the loan and parity purchase programs had a firming effect on cotton prices. While cash wheat prices rose slightly as the OPA announced an increase of 4 cents per bushel in wheat ceilings, the distant futures declined noticeably on rumors that the Secretary of Agriculture would propose to Congress a two-price plan for wheat. Due to the prospective freeze on worsted tops and yarn production, trading in wool top futures through the May 1945 delivery was temporarily suspended last week by the Wool Associates of the New York Cotton Exchange.

With wholesale commodity prices showing very little movement in the week ended December 9, the BLS general index of wholesale prices remained unchanged at the peak levels of the preceding week. The index now stands at 104.2 percent of the 1926 average, which is 1.3 percent higher than a year ago and is 38.9 percent above the pre-war August 1939 average.

Secretary Wickard outlines possible
post-war wheat programs

Rumors that the Department of Agriculture would propose to Congress a two-price system for wheat apparently arose from a speech Secretary Wickard made in St. Paul last week in which he outlined various possible post-war programs to meet the problem of wheat surpluses. The following alternatives were presented: (1) Production might be held down to domestic needs for flour and other food products, plus seed and some for local farm feeding, and the Government would maintain parity prices for all the wheat sold. (2) Exports might continue to be subsidized under the present export subsidy program, subsidies would be paid for some non-food uses in the domestic market, and allotments and quotas would be used to head off large surpluses. (3) A fairly large acreage might be maintained, with prices probably below parity, but income payments would be made to growers. (4) Farmers might be guaranteed parity prices for an amount of wheat equal to domestic consumption for food, but farmers would have to accept lower prices for wheat produced in excess of this amount.

- 5 -

WPB to restrict worsted tops and yarn
to rated orders

Strenuous measures are being taken to meet the sharply increased military demands for woolen and worsted goods in the next six months. Last week the WPB indicated that the production of worsted tops would be restricted entirely to rated orders during the first four months of 1945, and the production of worsted yarns restricted to rated orders in the first five months of 1945. Cloth quotas will be allocated to the various woolen mills but no directives will be issued unless production lags. The Army in the meantime has lowered its specifications on the grade of wool which may be used on uniform serge production, and has given the manufacturers wider latitude in the use of foreign wools, although domestic wools are still preferred.

Army requirements for worsted fabrics for the first half of 1945 are stated at approximately 45 million yards. This is about double the requirements for the previous six months and amounts to around one-fourth of the total worsted production. Requirements for woolsens were not revealed, but they are known to include 9 million yards of overcoat material and large numbers of blankets.

While the stepping up of the demands for the military forces will further tighten the civilian apparel situation, the WPB expects no shortage of civilian clothing unless the Army fails to cut back its requirements in the latter part of 1945. Until this recent demand by the Army, military requirements had been declining, with the result that inventories of civilian goods are ample for the next several months.

Meat tie-up in New York threatened

Retail meat dealers in the New York area voted last week to close from Christmas day "until Office of Price Administration regulations are adjusted." The dealers claim that the present "indirect" ceilings on live cattle have tended to divert beef to black markets and have made it impossible for them to operate legally at a profit.

Under current regulations slaughterers may pay more than the indicated ceiling prices, but if the prices paid during a month average higher than these ceilings, deductions will be made from the subsidy the Government pays them. While prices of lower grade cattle have been

- 6 -

lower this year than last, prices of prime fed steers have risen to new war-time highs. Last month at Chicago the top price of cattle grading AA reached \$18.50 per hundredweight as compared with the announced ceiling of \$16. Since the OPA meat ceilings are based on the announced ceiling prices on live cattle, the slaughterer apparently must take a loss on above-ceiling purchases unless he sells in the black market.

As a result of the threatened shutdown of retail meat markets in the New York area, Price Administrator Bowles is reported to have submitted to Stabilization Director Vinson a proposal for flat ceiling prices on live cattle. While the OPA has considered imposing direct ceilings in the past, the WFA appears to have been opposed to such a move, partly on the grounds that such ceilings would be difficult to administer and enforce.

Hog prices lower

Hog prices have declined noticeably below ceiling levels during the past six weeks as marketings have increased seasonally. (See Chart 4, upper section.) This decline, however, has been more moderate than that of a year ago, with the price of good to choice 180-200 pound hogs at Chicago averaging \$13.82 per hundredweight in the week ended December 9 as compared with \$13.13 a year earlier. Hog marketings this season are running substantially below last year's levels, reflecting a spring pig crop which was 24 percent smaller than the 1943 crop. Despite the lower hog slaughtering, Government purchases during the past six weeks have been almost as large as the relatively large purchases at this time last year. (See Chart 4, lower section.)

Due largely to the decrease in hog production, the total meat supply in 1945 may fall about 8 percent below that of this year. Sheep and lamb slaughter, as well as hog slaughter, will be appreciably lower next year but cattle slaughter may be somewhat higher. The WFA has indicated that rationing or other restrictions on civilian consumption of better grade meats may be necessary throughout 1945 and possibly into 1946, even if the war in Europe were to end in the next few months. The per capita meat supply for civilians next year, according to WFA estimates, will amount to about 123 pounds if the European war continues through 1945 and to about 132 pounds if Germany should be defeated within the next few months. This year the per capita consumption is estimated at 143 pounds. Meat prices, it is believed, are likely to hold close to ceiling levels next year.

- 7 -

Department store sales at record levels

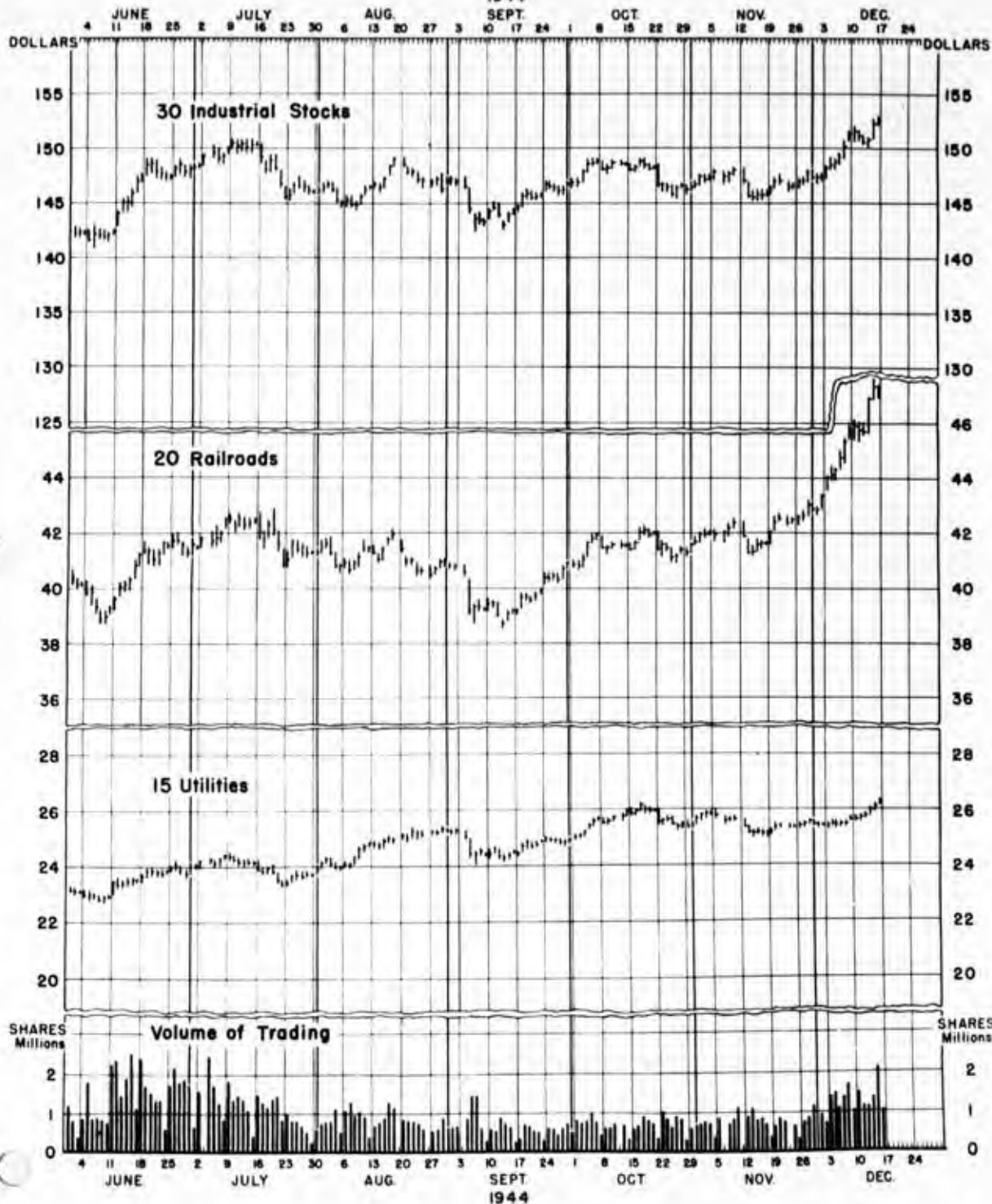
Despite the unusually early start in Christmas shopping this year, department store sales continued to score wide sales gains in early December, thus virtually assuring the largest Christmas trade (dollar basis) on record. Since an unusually heavy volume of sales in October was followed by a greater than seasonal rise in November, which carried the FRB adjusted sales index up to a record high of 206, some retailers expected a relative tapering off in sales volume in December. However, the sales gain over year-earlier levels in the week ended December 9 actually widened to 22 percent from 13 percent in the previous week. (See Chart 5.) Moreover, sales were 9 percent above the highest sales volume ever previously attained in a weekly period.

Retail sales last week, according to preliminary sales reports, continued to run well above year-earlier levels, with Dun and Bradstreet reporting nation-wide gains of from 10 to 14 percent. With stocks of merchandise in many lines already short before the latest buying upsurge, stocks are expected to be seriously depleted at the end of the holiday season. Moreover, in view of the current emphasis on war production and the prospects of further tightening in civilian textile supplies, replenishing of stocks undoubtedly will be unusually difficult.

STOCK PRICES, DOW-JONES AVERAGES

Daily

1944



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

August 1936 = 100

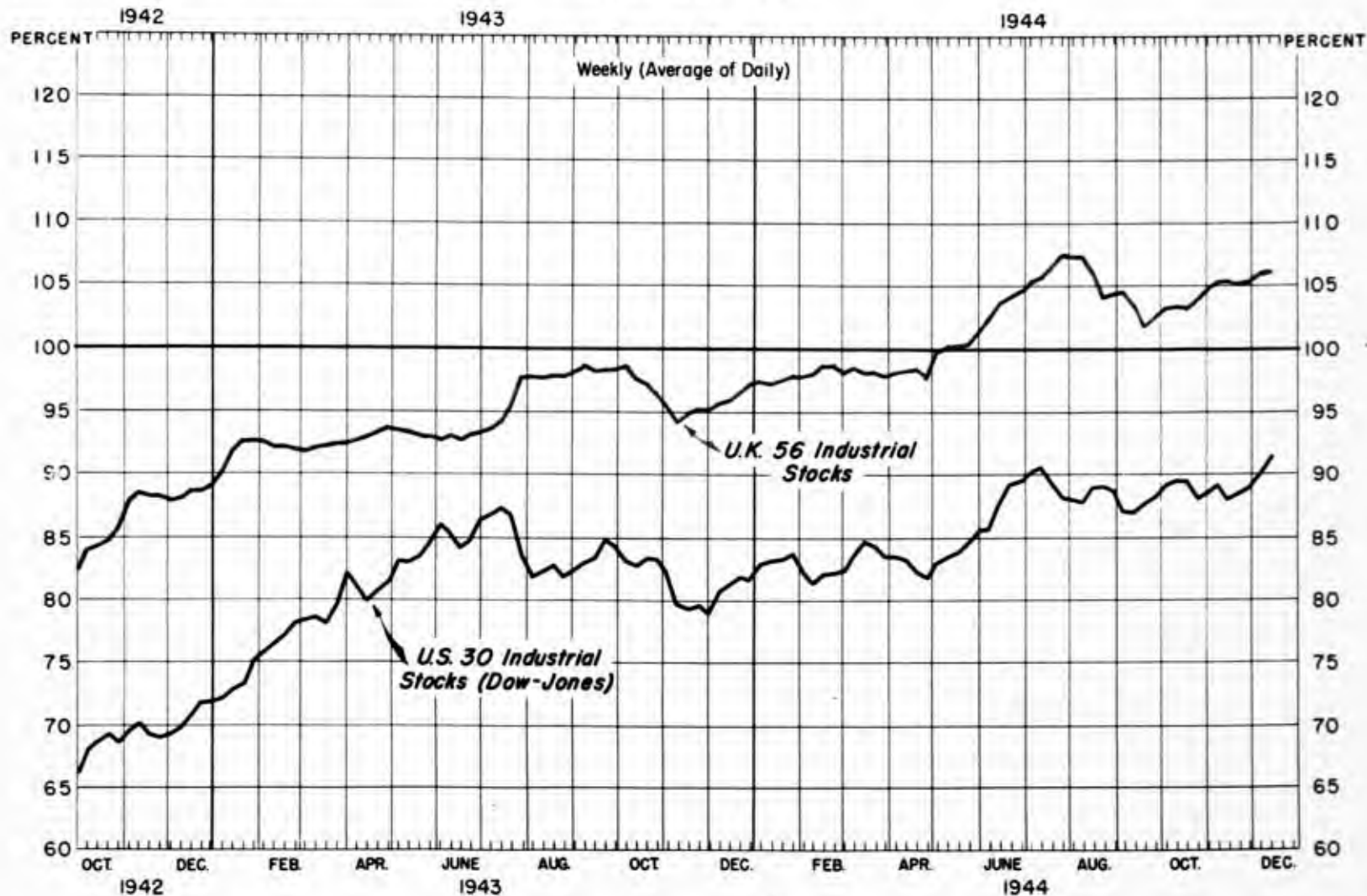
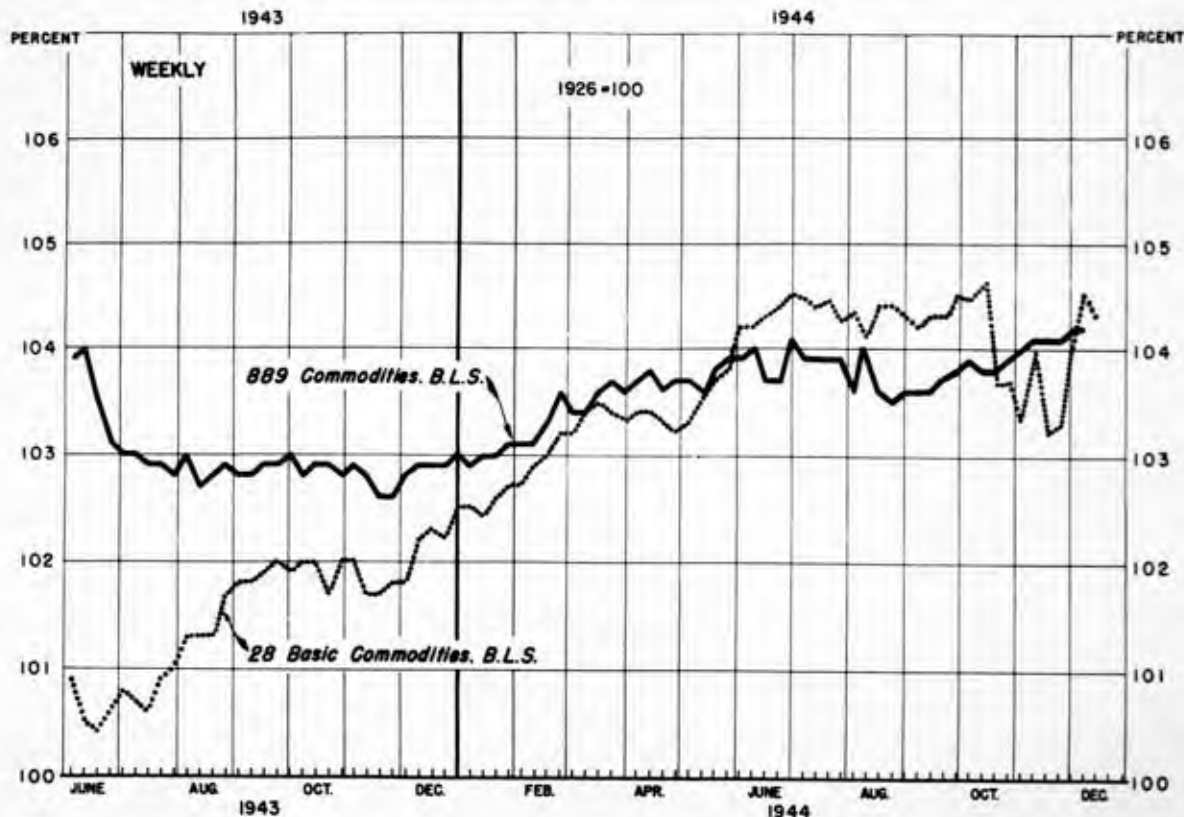


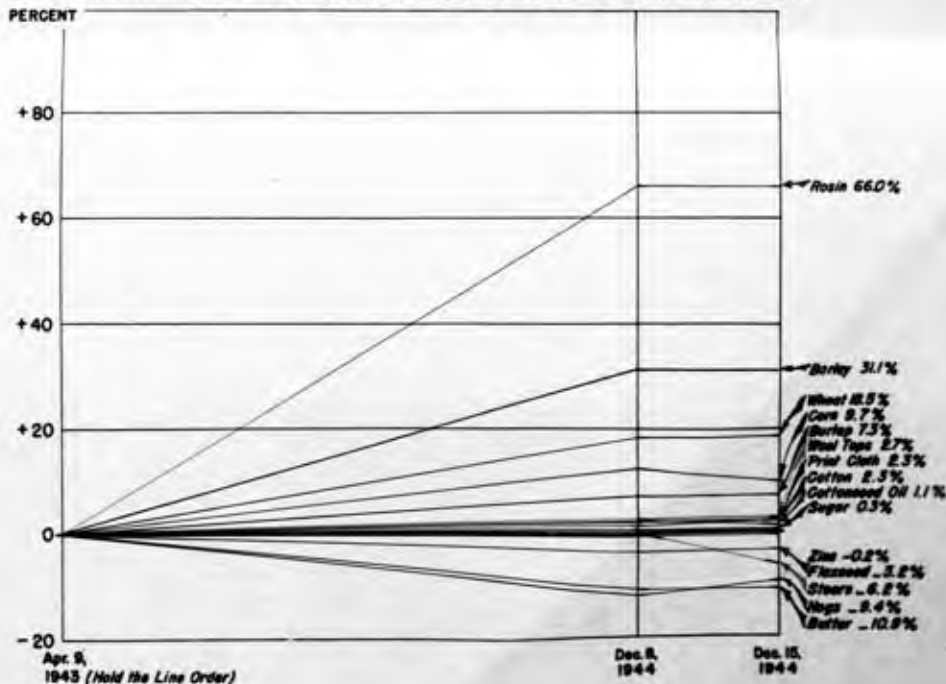
Chart 2

277

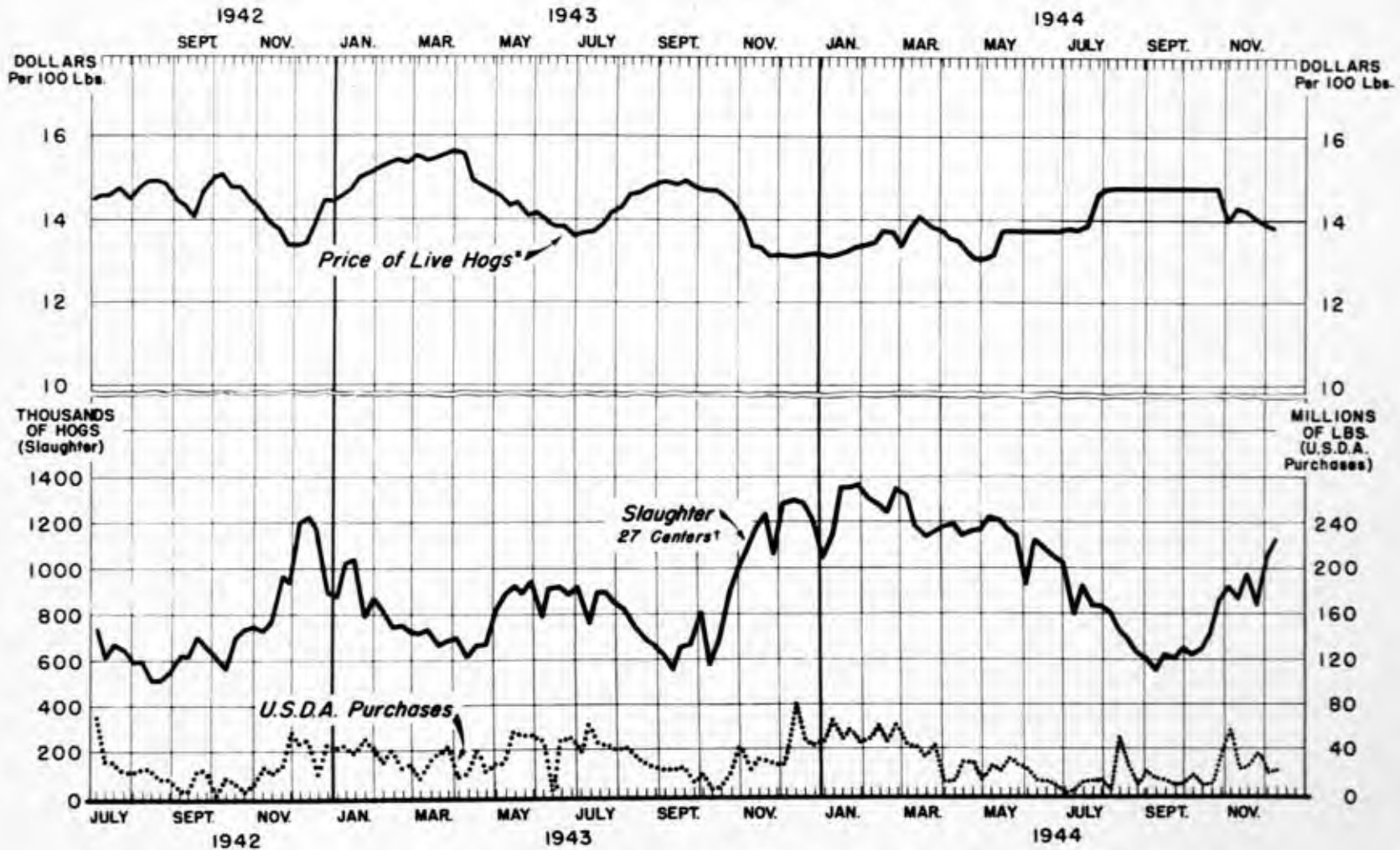
WHOLESALE COMMODITY PRICES



SELECTED BASIC COMMODITIES
Percentage Change April 9, 1943 to Dec. 8 and Dec. 15, 1944



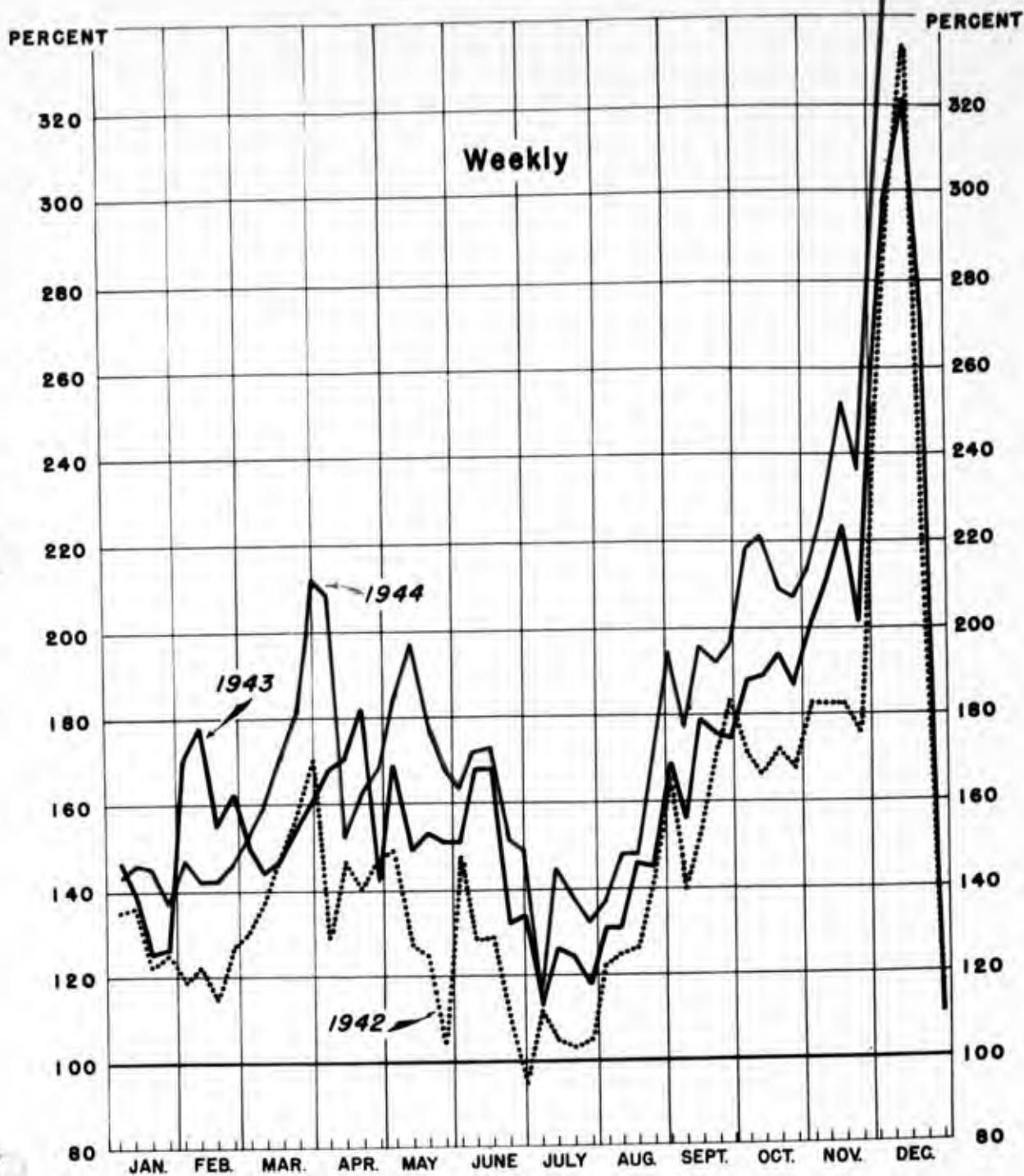
HOG PRICES COMPARED WITH HOG SLAUGHTER AND U.S.D.A. PURCHASES



* Chicago good to choice, 180-200 pounds
 † 132 Centers beginning week ended April 8
 Source: Department of Agriculture

DEPARTMENT STORE SALES

1935 - '39 = 100, Unadjusted





December 18, 1944

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

(Important for your information; no present action required)

The British members of the Board of Inland Revenue, who were here negotiating a treaty to eliminate double taxation, have returned to London. Complete agreement was reached on all points but one, concerning the proposed 15 percent United States withholding rate on dividends going from the United States to Great Britain.

The Chancellor of the Exchequer may communicate with you concerning the point at issue. If so, I would like an opportunity to discuss the matter with you before any action is taken.

Roy Blough

DEC 18 1944

Dear Eleanor:

Thank you for sending me Mr. Booth B. Goodman's
Summary of a Plan to Ration Post-War Opportunity.

The proposal has been studied by the members of the
Treasury staff working on post-war problems. They tell
me that the proposed plan is not a realistic suggestion.
You may be interested in the attached memorandum which
briefly discusses Mr. Goodman's plan.

Affectionately,

(Signed) Henry

Mrs. Franklin D. Roosevelt,
The White House.

Enclosure.

JRS:ko:jm 12/9/44

Comment on a Plan to Ration Post-War Opportunity

1. Mr. Goodman's memorandum discusses the important problem of currency stabilization in relation to the necessity of maintaining a high volume of consumer spending in the post-war period. The solution he proposes is in general of a familiar type.

2. He recommends that prices be stabilized by making them depend upon labor costs. The prices of each commodity would be determined by the quantity of labor needed for its manufacture. Wage rates would be set by a government commission which would take into consideration the cost of the necessities of life. The prices of these necessities would also be governmentally controlled, and adjustments would be made from time to time to take account of necessary changes.

Mr. Goodman also notes the serious danger of unemployment some years after the war and recommends sharing or "rationing" the total volume of employment among the laboring population.

3. Mr. Goodman's suggestion is unrealistic for he has underestimated the complexity of our economic system. Determining prices on the basis of only the labor costs involved would mean that no differential allowance is made for the capital, land, and business management that go into production. Furthermore, for the government to control prices and wages as Mr. Goodman suggests would mean that we should have to institute an economy completely controlled by the state. Such a system would be a reversal of the present free enterprise economy.

It should also be emphasized that if we achieve economic prosperity after the war, there will be no need to ration jobs in the way this memorandum proposes. Our task is not to divide an inadequate number of jobs among those who want work. Our task is to see that there are jobs for all. The acceptance of such a "share-the-work-program" would be an admission of defeat. It would mean that we believe we cannot live up to President Roosevelt's promise of 60 million jobs in the post-war period.

284

THE WHITE HOUSE

WASHINGTON

11-30-44

Referred to Hon. Henry Morgenthau, Jr.
by Mrs. Roosevelt

Handwritten: 6746
11/30/44

NOV 30 1944

RECEIVED
OFFICE

Fred Harvey Angerstein

SUMMARY OF PLAN
To Ration
POST-WAR OPPORTUNITY

By Booth B. Goodman
of the San Francisco bar

The habit of overlooking the obvious is universal. Even in attempted solution of basic and fundamental problems, we are inclined to indulge in complex and involved thinking. We also have a natural antipathy toward change, and therefore, seek to obtain the answer to a new problem without changing or altering any established custom or belief.

We realize that general employment is essential to a continued peace-time economy. We know that such employment is possible only through the maintenance of purchasing power distributed among all. It is obvious that the latter condition can exist only when there is full employment, or when available employment is equitably distributed and shared by all.

This economic ideal cannot be super-imposed upon the present out-moded standard of money value, because the purchasing power of money must be stabilized as an indispensable part of any plan for continuous full employment. Gold is not only unevenly distributed and insufficient in quantity, but it is a fluctuating medium of exchange which can be cornered in the world market. The same would be true of silver, or any other metal.

Money value must be based upon a universal and ever

available commodity which cannot be controlled by minority groups, either national or international. The only such commodity is common labor, and the following plan is offered as a solution of our postwar problem.

On a national scale, competent boards, operating upon the general plan of civil service commissions would, under appropriate legislation, determine a suitable wage for common labor. Such wage would be the number of dollars necessary to provide the reasonably industrious laborer with the necessaries of life commensurate to the American Standard of living.

This dollar valuation would require study and the consideration of the necessity of maintaining a high national income in postwar years. This high income must be preserved if we hope to pay our national debt by taxation.

Let us assume that the value of common labor is set at eight dollars per day. This would form the basis for the fixing of wage scales for the various skilled types of labor and each would be set, after careful study, at such rate higher than common labor as might appear to be warranted from a consideration of the training and skill essential to the competent performance of the particular craft. In addition to journeyman ratings there would be special ratings for the semi-skilled and for the highly specialized workers.

Under this plan and as part of it, we would continue to exercise reasonable control over the selling price of necessaries of life. This control should not be absolute, but within

reasonable limits. Any appreciable increase in the cost of living would be offset by a blanket adjustment of wage scales. In this manner a balance in values would be maintained, giving stability to the economic structure which is now impossible.

There is, of course, a limit to consumption of consumer goods, a peak of production where the saturation point is reached and partial unemployment would result. To meet this condition we should invoke the principle of rationing the opportunity to work. We have learned in time of war that rationing is cooperation in action, therefore, the available work should be equitably distributed by jurisdiction over the length of the work day. We undoubtedly are approaching a time when a six-hour day will replace the eight-hour day, just as the eight-hour day replaced the longer day.

If this program is supplemented by adequate old age and disability security laws, a new era of social cooperation will be born. It will be observed that this plan does not prevent any person from advancing in any industry, trade or profession. The dollar value will no longer fluctuate within our borders to the extent that it has in the past, and gold could still function as a basis of exchange in foreign commerce.

Treasury Department
Division of Monetary Research

288

Date December 18, 1944 19

TO: Mrs. McHugh

For your information: On December 15th Mr. White returned this memo to the Secretary stating there was some unfinished business he would like to discuss. The Secretary sent word for Mr. White to request an appointment and he saw the Secretary about it at 9:30 Saturday morning.

Status of attachments referred to:

- 1 - Appended
- 2 - Letter to Secy. of State, signed by Secretary Morgenthau, dated Dec. 16, 1944.
- 3 - Letter to Mr. Crowley, signed by the Secretary Morgenthau, dated Dec. 16, 1944.
- 4 - Appended (suggested draft, still pending)
- 5 - Letter to Mr. Frank Lee, signed by Mr. White, dated Dec. 15, 1944 - copy attached.
- 6 - Appended
- 7 - Letter to Judge Patterson, War Dept., signed by Secretary Morgenthau, dated Dec. 15, 1944.
- 8 - Letter to Mr. Frank Lee, signed by Mr. White, dated Dec. 15, 1944, - copy attached.

L. Shanahan

MR. WHITE
Branch 2058 - Room 214-1/2

Treasury Department
Division of Monetary Research 289
Dec. 15, 1944
Date.....19

To: Mrs. McHugh

I have already spoken to the
Secretary about these letters to be
signed by him.

H.D.W.

MR. WHITE
Branch 2058 - Room 214-1/2

Treasury Department
Division of Monetary Research

280

Date December 15, 1944 19

To: Secretary Morgenthau

Appended is a memorandum of the unfinished business remaining from the recent Lend-Lease discussions with the British. I took up with you orally Items 1, 2, and 3, but we need your decision on Items 4 (on page 3) and 6 (on page 5).

H.D.W.

H. D. W.

MR. WHITE
Branch 2058 - Room 214-1/2

December 8, 1944

To: Secretary Morgenthau
 From: Mr. White
 Subject: Unfinished Business Remaining from the Recent
 Lend-Lease Discussions with the British

I. Items Requiring Treasury Action or Decision.

1. Reciprocal Aid to U.S. Forces from Australia,
 New Zealand and India.

a. Mr. Acheson's recommendations on this question, made in a letter to you on November 25 pursuant to your request of November 22, are:

(1) That the American Committee accept as satisfactory the written statements submitted by the representatives of Australia, New Zealand and the Government of India, outlining the principles under which their respective Governments will undertake to continue to furnish reciprocal aid to the U.S. Forces in Stage II.

(2) That the clauses presently found in the Joint Reports on the U.K. Ground Army and Air Programs which condition Lend-Lease aid to the British on the acceptance by the U.K. of responsibility for reciprocal aid throughout the Empire, be eliminated.

(Attachment #1)

Mr. Acheson's letter and the accompanying documents are attached.

b. You will note that General Styer, who represented the War Department at the meeting convened by Mr. Acheson, did not agree that the statements of the Dominion and Government of India representatives constituted "entirely satisfactory assurances" and that he continued to press for more positive commitments. Presumably this is still the War Department's position.

(Attachments
 Nos. 2 and 3)

c. Attached for your signature are suggested letters to Mr. Stettinius and Mr. Crowley transmitting for their consideration copies of Mr. Acheson's recommendations and of the signed statements submitted by the Dominion and Indian representatives.

Division of Monetary
Research

- 2 -

(Attachment #4)

- d. If the Committee agrees to concur in the recommendations, Mr. Patterson and the British should be so informed. Attached for your signature is the draft of a letter to Mr. Patterson which might be used in case the recommendations are accepted without change. The British could be informed by a note from Frank Coe to Frank Lee.

2. Lead-Lease to Australia and New Zealand of Aircraft and Components not Included in U.K. Munitions Programs (\$250 million).

- a. All munitions requirements for the Dominions and India have been included in the U.K. munitions programs with the exception of certain aircraft and components for Australia (\$200 million) and New Zealand (\$80 million) which are actually for the use of the U.S. Command in the area. The War Department is responsible for specifying the items needed. No provision covering these requirements is included in any of the recently approved programs.
- b. Lord Keynes stated in a letter to Mr. White on November 24 that the War Department, in view of the many uncertainties that would be involved, prefers not to attempt any detailed estimates of its Stage II requirements in these items at the present time unless you or the Committee specifically request it to do so. I see no advantage in making such a request especially since Lord Keynes' letter indicates that the Dominions are under no anxiety about their needs being met.
- c. Copies of Lord Keynes' letter were sent to the War Department. Col. Brownell of Mr. Lovett's office has told us verbally he thinks the letter states the War Department's attitude fairly and should not require any official reply or comment from the War Department at this time. He approved of our suggestion that in acknowledging Lord Keynes' letter we state merely that we have made copies available to the War Department and that we will transmit to the British group any comments the War Department may have to offer. This has been done and should close the matter for the present. Copy of the letter of acknowledgment is attached.

(Attachment #5)

Division of Monetary
Research

- 3 -

3. Take-Outs of Capital Facilities - \$38 million.

- a. The British claim that this sum remains to be paid on certain take-over transactions originally involving \$50 million which were agreed upon in 1942 (see last section of tabulation in Secretary's letter to Sir Frederick Phillips September 28, 1942). British claim that this group of facilities valued at \$50 million was duly transferred but that only \$12 million was paid, leaving \$38 million owing in accordance with the 1942 understanding. In the recent discussions we have admitted the justice of this claim in principle, subject to question of valuation.
- b. We are taking these transactions up with officials of the Reconstruction Finance Corporation and Defense Plant Corporation with a view to verifying the statement that payment was never completed and ascertaining whether the valuation claimed by the British is appropriate.

4. Proceeds of Sale of Capital Facilities to Packard (\$200,000).

- a. British report that plant facilities erected by them at a cost of \$4.8 million and operated by Packard for the War Department have been sold to Packard for \$200,000.
- b. The sale was made with the knowledge and consent of both the Treasury and War Departments in September of this year but at Treasury request the proceeds were held in suspense.
- c. It is for Treasury to decide whether these proceeds should go to the British or to the U.S. Government as reciprocal aid.

5. Claims on Certain Contracts Taken Over in 1941 and 1942 but not fully paid for (\$1,313,000).

- a. Savage Arms (\$684,000). Payment of this sum, representing approximately 50% of the value of the contract taken over, was, along with a number of others, held up at the specific request of the Comptroller General on grounds

Division of Monetary
Research

- 4 -

it was tantamount to an advance of funds to the British forbidden by the Johnson Act. War Department officials state that Comptroller General in recent letter to Secretary of War has rescinded this decision (see copy attached) and that British may expect early payment by War Department of this outstanding sum.

(Attachment #6)

- b. Tennessee Powder Company (\$292,000). The War Department itself withheld this payment because some aspects of the case were similar to the Savage case held up by the Comptroller General. Reversal of Comptroller General's decision as above now clears this case and War Department will approach the British with offer of payment. War Department officials claim that General Hardy's letter of November 14, 1942 referred to by the British rested on incomplete survey of facts and some minor adjustments in amount claimed by the British may be requested but in principle the claim is allowed.
- c. Lima Locomotive Works (\$100,000 and \$237,000). War Department officials say they can see no reason why the \$100,000 representing 50% of the value of one set of spare parts cannot be paid as soon as actual delivery of the spares is complete as this is in accordance with the terms of the contract -- 50% paid in advance and 50% upon delivery of the goods. These officials, however, know nothing about the British claim for an additional \$237,000 for extra sets of spare parts said to have been delivered as no provision for this appears in the contract. They suggest we write the War Department asking that the British claim be investigated.
- d. Attached for your signature is a suggested letter to Mr. Patterson on the Lima Locomotive claim and a suggested letter from me to Frank Lee to inform the British of the status of all three of the above claims.

(Attachment #7)

(Attachment #8)

Division of Monetary
Research

- 5 -

6. Diversions to Russia (\$18.7 million).

- a. Bostons to U.S.S.R. for which U.K. paid dollars; in their view have not been replaced by U.S. - \$12.5 million.
- b. Eight engines purchased by U.K. for dollars, and diverted to U.S.S.R. to fill U. S. commitment - \$4.0 million.
- c. Powder for which U.K. paid dollars, shipped to U.S.S.R. for U. S. account - \$2.2 million.

The last two claims above, totalling \$6.2 million were tentatively approved by the Foreign Economic Administration but the Foreign Economic Administration failed to approve the \$12.5 million claimed for the diversion of Bostons. I see no reason why all three claims should not be treated alike. There is now some feeling, however, that all three of these claims are, by implication, ruled out on the same grounds that Mr. Lovett ruled in refusing to accept the claim of \$250 million for aircraft taken over by the U.S. If you think it advisable we will take up these claims with the War Department in an effort to obtain a definite decision.

7. Machine Tools (\$26 million to \$42 million). There are two claims here, one for the present capital value (\$8 million at Gleyton formula rates) of machine tools which it is proposed we purchase from the British, and the other for a sum of from \$18 million to \$26 million (depending on rate allowed) for rental on the past use of U.K.-owned machine tools regardless of ultimate disposition.

The British have still not furnished the details on these claims promised at the meeting November 27. Mr. Goschen informed us a day or two ago that details on the \$8 million claim would be furnished by December 9 but that it would be very difficult to assemble in memorandum form all the relevant data on the rental claim. They will attempt this, however, and Benson will come over this week or early next week to discuss it with us in detail.

A decision cannot be given until more information is available.

296

Attachment #1

November 25, 1944.

My dear Mr. Secretary:

In accordance with your request at the combined meeting with the British group on Lend-Lease matters of November 22, 1944, there took place in my office the same afternoon a meeting to resolve the problem of reciprocal Lend-Lease aid to our armed forces from the British Dominions. There were present at the meeting, among others, Lord Keynes and Mr. Brand representing the United Kingdom, Senator Keane and Messrs. Moore and Dunk representing Australia, Mr. Reid of New Zealand, Mr. Symon representing the Government of India, Lt. Gen. Styer and representatives of the State and Treasury Departments and the Foreign Economic Administration.

Senator Keane and the other Australian representatives presented forcefully their position as already set forth in their memorandum of November 20 which has been circulated in mimeograph-form. Mr. Reid of New Zealand expressed himself as concurring fully with the position taken by his Australian colleagues and indicating that within the limits of the supply possibilities of New Zealand his Government would certainly make available materials to our armed forces as in the past with no serious problem of geographical destination. Mr. Symon read instructions from the Government of India indicating its intention to continue reciprocal Lend-Lease aid to the utmost, limited only by the very pressing supply and transport problem which now exists in India.

General Styer expressed himself as very pleased with the actual performance under reciprocal Lend-Lease, especially in the case of Australia to which the meeting was primarily devoted, but stated that as the scene of

operations

The Honorable

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

COPY

operations moves out of the South and Southwest Pacific areas the Army was desirous of obtaining assurances that the reverse Lend-Lease aid would continue. The Army therefore continued to press for a new understanding on this point in writing.

Subsequent discussions brought out that the Australian position as indicated in the document referred to above would in fact solve at least 99 per cent if not 100 per cent of the problem and at my request the representatives of Australia, New Zealand, and the Government of India agreed to furnish signed memoranda reiterating their positions (copies of these memoranda are attached). In view of these entirely satisfactory assurances from Australia, New Zealand, and the Government of India I indicated that I would recommend to your Committee their acceptance, and the elimination as a condition to Lend-Lease aid of paragraph 10 of the Joint Report on Army Ground Items and the parallel paragraph 11 of the Joint Report on Air Items.

Sincerely yours

DEAN ACHESON

Dean Acheson
Assistant Secretary

Enclosures:

Memoranda from representatives
of Australia, New Zealand, and
Government of India.

PA:EOC:db
11/23/44

INDIA SUPPLY MISSION

635 F STREET, N.W.

WASHINGTON, D. C.

24th November 1944.

TELEPHONE - EX 5484

Dear Mr. Acheson,

In accordance with the request which you made during the discussion in your room on 22nd November, I write to confirm that the Government of India will continue to furnish Reciprocal Aid during Stage II on the same basis as hitherto. It will be appreciated, however, that the actual extent of such aid will depend on a number of factors including the availability of supplies and the strength of the military forces located in or near India.

I should also like to emphasize the view of the Government of India that India's real resources (labour, food, transportation, coal, raw materials, etc.) are already over-mortgaged and that in consequence deliveries against existing supply programmes are already behind.

The quantum of Reciprocal Aid which can be made available hereafter must necessarily be conditioned by these factors. Nevertheless, as stated above, within the limits of India's resources the Government of India will continue to furnish the requirements of the United States under Reciprocal Aid on the basis already in force and subject to similar conditions as to availability of supply and transport.

Yours sincerely,

ACB SYMON

Mr. Dean Acheson,
Department of State,
Washington, D.C.

ACBS/af

TOP SECRET

NEW ZEALAND LEGATION

WASHINGTON 8, D. C.

24th October, 1944.

Dear Mr. Acheson,

Encl. Confirming the discussions on Reciprocal Aid in
Stage II in your office this week, I enclose a note
setting out New Zealand's attitude on this subject.

Yours sincerely,

JOHN S. REID
First Secretary

Dean Acheson, Esq.,
Assistant Secretary of State,
WASHINGTON, D.C.

TOP SECRET

RECIPROCAL AID - NEW ZEALAND

In terms of a note of 3rd September, 1942, and an exchange of letters of 15th December, 1943, the Government of New Zealand undertook to provide supplies to the Armed Forces of the United States in the South Pacific area by way of Reciprocal Aid. Provision was made in these documents for special conditions to apply to supplies made available for areas outside the South Pacific, but no such conditions have in fact been imposed, and though in the past New Zealand supplies have generally been confined to the South Pacific area, in actual practice substantial quantities of foodstuffs and other supplies have been provided for other areas. So long as New Zealand continues to be the most practical source of supply for foodstuffs and other appropriate commodities, the New Zealand Government will continue to further the common war effort, by accepting requisitions for supplies for United States forces in any part of the Pacific or in adjacent areas involved in the war against Japan.

It will be understood that the ability of New Zealand to meet such requisitions is dependent upon its capacity to do so and in particular upon (a) its obligations and responsibilities in other areas; for example, the provision of foodstuffs for the United Kingdom, and (b) upon the continued availability of Lend-Lease supplies from the United States to an extent essential to the maintenance of production without undue straining of the Dominion's resources.

NOTE ON AUSTRALIAN RECIPROCAL AID

1. The U.S. Authorities have requested that Australia should undertake to supply goods and services as reciprocal aid without geographical limitation.
2. The present position is that the Reciprocal Aid Agreement of 3rd September, 1942 between the Australian and United States Governments provides that Australia will furnish assistance, on reciprocal aid terms, to the U.S. forces in Australia or its territories. Notwithstanding the terms of this Agreement, the Australian Government have not, in practice, confined their reciprocal aid within this geographical limit: they have from time to time furnished considerable reciprocal aid to U.S. forces outside Australian territory, particularly to those in the South Pacific and latterly in Hollandia.
3. Australia is providing, as reciprocal aid to the U.S. forces, goods and services to the value of about 20% of her current war expenditure, with heavy consequential sacrifices to the population. These burdens, additional to those imposed by Australia's own war effort, have been spontaneously and willingly accepted, and the U.S. Theatre Commander in the area has expressed himself as being well satisfied with the scale of the reciprocal aid.
4. The Australian Government do not feel able to agree that the terms of their existing reciprocal aid undertakings to the U.S. Government should be revised in such a manner as to impose no limitation upon the amount or upon the area of such aid. They are, however, prepared, within the terms of their

reciprocal aid undertakings, to continue to supply to the U.S. forces as reciprocal aid, within locally accepted programmes, the categories of goods and services which they now furnish. They would also agree that, where for strategic reasons it is necessary to transfer to other theatres supplies which have already been provided to the local U.S. Command, no objection should be raised to the transfer.

5. In addition, the Australian Government are willing, as at present, to examine any further requests, including those for additional areas, which may be made by the U.S. authorities, having full regard to the availability of supplies and to their responsibilities in other directions. They suggest that requests for the provision of supplies, on reciprocal aid terms, for areas outside their existing undertakings, should continue to be referred to them for consideration. They do not, however, think it appropriate that the U.K. Government should be called upon to undertake responsibility for the provision of reciprocal aid throughout the British Commonwealth. They accordingly propose, with the concurrence of the U.S. representatives in Washington, that in cases where the Australian Government feel unable to meet such requests, the question of the financial responsibility be jointly discussed between the Australian, the U.S. and the U.K. authorities.

6. If these proposals are acceptable to the U.S. authorities, it is suggested that the detailed arrangements should be settled by joint discussions between representatives of the Governments concerned.

Washington, D.C., 20th November, 1944.

304

Attachment #4

305

This suggested letter to be used when and if we have favorable reply from other members of the Committee.

DRAFT

Honorable Robert Patterson
Under Secretary of War
U. S. War Department
Washington, D. C.

Dear Mr. Patterson:

There is enclosed a copy of the recommendation concerning reciprocal aid for our armed forces, which was made by Dean Acheson to the American Committee. We understand that the recommendation emerged from a number of inter-departmental conferences on this matter and a good many discussions with the British, the representatives of the Dominions and the Government of India.

The Committee has accepted this recommendation as representing the best solution of the problem which can be achieved at this time.

Sincerely yours,

Secretary of the Treasury.

Enclosure

306

Attachment 5

DEC 15 1944

Dear Mr. Lee:

In Lord Keynes' absence I am writing you in acknowledgment of his letter to me of November 24 concerning the fact that no approved program has been drawn up for the lend-lease to Australia and New Zealand of aircraft and components required for the use of the U.S. Command in that theater.

I note Lord Keynes' statement that the U.S. War Department prefers, in view of the many uncertainties that would be involved, not to attempt any detailed estimates of its Stage II requirements in these items at present and proposes to take no further action in the matter at this time unless Secretary Morgenthau advises that it would be desirable to do so. I note also that the Dominion representatives express no anxiety about their needs not being met and are apparently content, therefore, with the decision which Lord Keynes reports the War Department to have taken.

Copies of Lord Keynes' letter have been made available to the War Department and I shall forward to you any comments that Department may have to offer on the points Lord Keynes has raised.

Very truly yours,

(Signed) H. D. White

H. D. White,
Assistant to the Secretary.

Mr. Frank Lee,
United Kingdom Treasury Delegation,
Box 680,
Benjamin Franklin Station,
Washington, D.C.

308



Attachment #6

COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON 25

November 11, 1944

B-23634

The Honorable;

The Secretary of War.

My dear Mr. Secretary:

There has been considered your letter of August 11, 1944, requesting review of the exceptions taken by this office in the audit of payments made on vouchers Nos. 832, DA-6435, and DA-9595, June, November and December, 1942, respectively, accounts of I. S. Werman, covering reimbursement to the Savage Arms Corporation for raw materials, materials in hands of subcontractors, and finished parts, used in connection with the performance of cost-plus-a-fixed-fee contract No. DA-W-478-ORD-70, dated October 14, 1941.

In view of the factual background of the matter as reported in your letter, I have today issued instructions for the allowance of credit on the vouchers involved.

Respectfully,

/s/ Lindsay C. Warren

Comptroller General
of the United States.C O P Y

310

● Attachment 8

DEC 15 1944

Dear Mr. Lee:

This is in reply to your note, which I received on December 1, giving further details on certain of the minor claims which were included in the items in Chapter III of the U.K. case and requesting our early consideration and conclusions.

We have been discussing the first three of these claims with the War Department and have made some progress toward settlement as follows:

1. Savage Arms (\$684,000). War Department officials inform us that in response to a War Department request the U.S. Comptroller General has reconsidered his earlier action in withholding approval of this and certain similar payments and has informed the Secretary of War in a letter dated November 11, 1944 that such payments may now be made. Accordingly, we are told, your people may expect to hear from the War Department at an early date concerning final settlement of this outstanding claim.

2. Tennessee Powder Company (\$292,000). Although not specifically disallowed by the Comptroller General, payment of this claim is said to have been held up voluntarily by the War Department pending clarification of the Comptroller General's disallowance of the Savage payment. Now that the latter has been cleared as noted above, War Department officials state steps will now be taken to settle the Tennessee claim. They add, however, that General Hardy's letter of November 14, 1942 to which you refer, rested upon an incomplete survey of the facts and that, accordingly, the War Department may seek to negotiate with your people for certain minor adjustments in the amount claimed.

3. Lima Locomotive Works (\$337,000). Our discussions of this claim with the War Department have thus far been inconclusive because certain records pertaining to the case are not available in Washington. Tentatively, War Department officials feel there should be little difficulty concerning the \$100,000 claimed to be due on the one complete set of spares, as set forth in your note, but are uncertain as to the additional claim for \$237,000. We have asked the War Department to make an investigation and we shall inform you as soon as a reply is received.

- 2 -

4. Packard Motor Company (\$200,000). We expect to reach a decision on this request soon and I shall inform you in a separate note as soon as this has been done.

Other items we discussed at the meeting in my office on November 27 are still under consideration. I shall let you have our decisions concerning them as promptly as possible.

Very truly yours,

(Signed) H. D. White

H. D. White,
Assistant to the Secretary.

Mr. Frank Lee,
United Kingdom Treasury Delegation,
Box 680,
Benjamin Franklin Station,
Washington, D.C.

UNITED KINGDOM TREASURY DELEGATION

BOX 680
 BENJAMIN FRANKLIN STATION
 WASHINGTON, D.C.

TELEPHONE EXECUTIVE 2888

18th December, 1944

Dear Dr. White,

I am writing to send you the figures for our gold and dollar holdings in million dollars at 31st October, 1944 which were as follows:

Gold	1719	
Less Gold Liabilities	<u>331</u>	
Net Gold		1388
Official Dollar Balances	509	
Less Dollar Liabilities	<u>153</u>	
Net Dollars		356
		—
Net Gold & Dollars		1744
		—

The above net figure, taken in isolation, appears to indicate a stronger position than was anticipated when the U.K. case was communicated to you in the course of the present negotiations. But it should be explained that the main reason why the figure is as high as 1744 is that certain substantial liabilities--such as the payments due for current tobacco purchases, certain U.S. dollar payments to be made to Canada and the conversion of surplus Australian notes held by the U.S. forces--which were expected to be met in the period up to the end of October were in fact still outstanding at the end of that month.

Yours sincerely,



R. H. Brand.

Dr. H.D. White,
 Ass't to the Secretary,
 U. S. Treasury,
 Washington, D. C.

DFMcC/acs

TOP SECRETDEPARTMENT OF STATE
WASHINGTON

December 18, 1944

MEETING WITH SECRETARY MORGENTHAU1. Treatment of Germany.

The President has given his approval to certain phases of the program for the post-war treatment of Germany, such as the demilitarization of Germany and the dissolution of the Nazi Party.

In addition, the President has before him a memorandum on the economic treatment of Germany. He has informed the Department that he favors restitution of looted property, that he believes German industry should be permitted to provide for German needs but not to produce goods for export, and that he opposes reparations.

State, War, and Navy have recently been working on a revised edition of JCS 1067 for presentation to the EAC, which will be shown to Secretary Morgenthau before transmittal to London.

Certain directives have been forwarded to the EAC for discussion.

Memorandum attached.

2.

TOP SECRET

-2-

2. Financial Policy Board.

The Department of State proposes the establishment of the following committees:

(a) Cabinet Committee - a Committee composed of the Secretary of the Treasury, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Export-Import Bank of Washington, under the chairmanship of the Secretary of State.

(b) Working Committee - a working-level committee under the chairmanship of the Treasury Department representative, and with representatives of State, RFC, FEA, and the Export-Import Bank. In addition there might be observers from other interested agencies.

(c) Participation of other agencies - Provision should be made for the participation of interested agencies on both committees.

(d) Functions - The foreign financial policy board would be established by executive order and would formulate recommendations regarding the International Monetary Fund and the International Bank for Reconstruction and Development, as well as on general foreign financial policy.

Memorandum attached.

DEPARTMENT OF STATE
WASHINGTON

December 16, 1944

MEMORANDUM

Subject: Developments in Planning for the
Occupation of Germany.

On October 1, 1944 Secretary Hull gave the President a memorandum respecting American policy for the post-war treatment of Germany. This memorandum summarized the status of the negotiations in the European Advisory Commission and listed the important problems for which high policy decisions must be worked out by the three governments. These problems include: Demilitarization of Germany; dissolution of the Nazi Party in all its ramifications; controls over communications, press, propaganda and education; and, primary and continuing economic objectives which are to render Germany incapable of waging war and to eliminate permanently German economic domination of Europe. A recommendation was also included that no decision should be taken on the possible partition of Germany at this time.

The President replied to this memorandum under date of October 20, 1944 in which he agreed with many of the points mentioned and requested further discussion with the State Department on others. The State Department has consequently submitted several additional memoranda to the President, particularly with reference to our economic objectives. The President has subsequently informed the State Department that he is in favor of restitution of looted property of all kinds and that Germany should be allowed to "come back industrially to meet her own needs but not to do any exporting for some time until we know better how things are going to work out". The President also expressed himself as being opposed to reparations.

-2-

In the meantime, the State, War and Navy Departments have prepared a revised edition of JCS 1067 for presentation to the European Advisory Commission. Ambassador Winant will be instructed to seek agreement on this directive as a general policy guide for the military government during the initial phase of occupation subsequent to German surrender or defeat. Mr. McCloy of the War Department intends to show this revised directive to the Secretary of the Treasury before it is transmitted to London. In the meantime, a number of directives on particular subjects, approved by the State, War and Navy Departments and by the Joint Chiefs of Staff, have been transmitted to London and submitted to the EAC for discussion there. A list of these approved directives is attached hereto.

LIST OF APPROVED DIRECTIVES TRANSMITTED
TO THE AMERICAN REPRESENTATIVE ON THE
EUROPEAN ADVISORY COMMISSION.

1. Control of merchant shipping subsequent to surrender.
2. Securing and examining information in archives.
3. Control and disposal of nationals, armed forces and property of enemy countries other than Germany.
4. Administration of Justice.
5. Religious affairs.
6. Disposition and control of German police.
7. Primary disarmament of German armed forces subsequent to surrender.
8. Control of public information in Germany.
9. Control of inland transport.
10. Elimination and prohibition of military training in Germany.
11. Control of post, telegraph and telephone service in Germany.
12. Censorship of civilian communications in Germany.
13. Disposition of German or German-controlled aircraft, aeronautical equipment and facilities.
14. Disposition of German and German-controlled naval craft, equipment and facilities.
15. Control of works of art and monuments in Germany.
16. Disposal of German armed forces.
17. U.S. directive of proclamations and general orders for Germany.

Attachment
No. 2

SECRET

DEPARTMENT OF STATE
WASHINGTON

MEMORANDUM FOR CONVERSATION WITH
THE SECRETARY OF THE TREASURY

1. Essential documents relating to interdepartmental organization to deal with foreign financial policy are the President's memorandum of August 21, 1944 to the Secretary of State, the Secretary's reply of September 26 which was approved by the President, the proposal of the ECEFP secretariat for a financial section of the ECEFP (all contained in ECEFP D-83/44, November 29, 1944), and the "Preliminary Draft for Discussion of U.S. Technical Committee" of legislation to put the Bretton Woods proposals into effect, circulated by the Treasury on December 6.

2. The Department would propose the following organization to deal with the various policies, programs, and operations in this field:

A. A foreign financial policy board consisting of the Secretary of State, chairman, the Secretary of the Treasury, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Board of Trustees of the Export-Import Bank of Washington.

B. A working committee under the chairmanship of the Treasury representative and constituting a financial section of the ECEFP, much as proposed in D-83/44 of November 29, 1944.

C. A

SECRET

-2-

C. A joint State-Treasury secretariat, in close touch with the ECEFP secretariat,

D. Provision for calling in representatives of other interested agencies at either the Cabinet or working committee level. Thus the R.F.C. would be brought in if a problem of R.F.C. foreign financing such as the proposed \$300,000,000 credit to the Netherlands arose. Or the SEC would be consulted with respect to foreign bond flotations in this market, and market operations of the International Bank for Reconstruction and Development.

E. Provision for liaison between the financial organization--both the Cabinet and working committees--and the general section of the ECEFP should be as described in D-83/44.

F. The functions of the foreign financial policy board would include the formulation of recommendations to the responsible agencies concerned and, in appropriate cases, to the President, regarding:

(i) Policies for guiding the foreign financial operations of the United States Government agencies.

(ii) General directives for the guidance of American representatives on international financial agencies such as the International Monetary Fund and the International Bank for Reconstruction and Development or any interim financial groups or consortia in which this Government may participate pending establishment of the Fund and Bank.

(iii) Coordination of the foreign financial activities of government agencies relating to monetary stabilization, foreign funds

control,

SECRET

-4-

to in Section 7 of the Treasury's "Preliminary Draft".

H. The Foreign financial policy board should not attempt to pass on individual financial transactions of national or international agencies except in so far as it may be necessary to do so to carry out the policy functions indicated in (F) and (G). Such transactions would continue to be carried out by the responsible agencies.

3. The Department would recommend that such organization with the general functions listed in 2(F) be established at once by executive order and that the proposed legislation relating to the Bretton Woods proposals formalize the organization and confer upon it the additional specific functions listed in 2(g).

4. In connection with the above recommendations, the Department emphasizes that foreign financial policy is an integral part of foreign economic policy and that the Bretton Woods agreements, especially that for the Fund, are in large measure commercial policy undertakings, as the Treasury has so forcefully brought out in its public presentation of the matter. The Department recognizes the importance of the relationship of foreign financial operations to the domestic credit situation (a problem of special significance in connection with borrowings by the Fund and Bank in this market) and believes that the composition of the proposed board is nicely balanced in this respect. Moreover, it has suggested that the approval of the United States required for certain acts of the Fund and Bank be by the proposed board with the approval of the President which would give any agency an opportunity to present fully any domestic considerations which might relate to action which the board might propose to take on a foreign economic policy basis.

SECRET

-3-

control, lend-lease, financial problems in military and liberated areas, procurement contract settlements, and extension of credits, including those arising in connection with the disposal of surplus war property.

(iv) Coordination of United States foreign financial activities with those of international financial organizations in which the Government participates and also with domestic fiscal policy.

(v) Policies in respect of private investment abroad.

(vi) Financial aspects of foreign economic policy referred to it by the General Section of the ECEFP.

G. With respect to the International Monetary Fund and the International Bank for Reconstruction and Development the foreign financial policy board would:

(i) Make recommendations to the President regarding the appointment, reappointment, and removal of United States governors, executive directors, and their alternates.

(ii) Lay down general policies for the guidance of the governors, executive directors, and their alternates.

(iii) Receive regular and full reports from the governors, executive directors, and their alternates and make a continuous review of their activities.

(iv) Give, with the approval of the President, the approval of the United States referred

to

SECRET

December 18, 1944

No. 988

The Honorable
Robert McGregor Scotten,
American Ambassador,
Quito.

Sir:

Reference is made to the Embassy's despatch no. 2323 of November 7, 1944 transmitting the text of a communication addressed to you by the Ecuadoran Ministry for Foreign Affairs regarding certain difficulties encountered by the Ecuadoran Government in its efforts to extend protection to certain persons in German-held territory who are in possession of documentation reflecting a right of protection by the Ecuadoran Government.

The Department and the War Refugee Board have noted with some concern that the Ecuadoran and Swiss Governments have so far been unable to find a satisfactory formula whereby to extend adequate protection to the persons referred to. It is hoped that efforts to this end will continue until a successful outcome is assured. For your confidential information there is attached a copy of a secret telegram to the American Legation at Bern in which the War Refugee Board requested its representative at that post to discuss the problem with the appropriate Swiss officials.

It appears that the Ecuadoran Government has not taken into account the danger to which undoubted Ecuadoran nationals are exposed if the German authorities are given any grounds for believing that the Ecuadoran Government will not resist German efforts to determine for German purposes which passports issued in the name of the Ecuadoran and other foreign governments are to be accorded recognition. Of interest in this connection, there is attached for the information of the Embassy a copy of instruction no. 3506 August 30, 1944 to the Embassy at Lima, the substance of which may be conveyed to the Ecuadoran authorities. Since the date of this instruction the Department has learned of additional cases in which the German Government in its mistaken effort to distinguish between bearers of United States passports has apparently done away with undoubted United States nationals.

It is the feeling of the Department and of the War Refugee Board that at a time when the lives of undoubted Ecuadoran nationals and of other human beings who may happen to be in possession of Ecuadoran passports are greatly in danger, an unyielding interpretation of the strictest meaning of legal terms may not be what the Ecuadoran Government after due consideration will wish to establish as its policy. In these circumstances and in this light the Ecuadoran authorities should be urged to consider the possibility of instructing the Protecting Power to renew the validity of all passports issued in the name of Ecuador which are held in enemy territory by prospective victims of enemy persecution and to accord all such individuals protection.

- 2 -

Furthermore, when bearers of Ecuadoran passports are released by the Allied forces, it is the War Refugee Board's opinion which the Department shares that the individuals concerned should be carefully examined by an appropriate delegate of the Ecuadoran Government and that the act of invalidation of passports found to be illegally held should be accomplished with the least possible publicity and at the latest date possible in order that no such action may jeopardize the safety of holders of similar documentation who remain under enemy control. In this connection there is attached for the Embassy's information and for communication of the substance thereof to the appropriate Ecuadoran authorities a copy of telegram no. 10936 from the American Embassy at London of December 9, 1944.

Very truly yours,

For the Secretary of State:

/s/ DEAN ACHESON

Enclosures:

1. To American Legation, Bern
December 9, 1944.
2. To American Embassy, Lima,
August 30, 1944
3. From American Embassy, London,
December 9, 1944.

DME-1207

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

Vatican City

Dated December 18, 1944

Rec'd 2:18 p.m.

Secretary of State

Washington

408, December 18, 4 p.m.

My 393, December 1 regarding deportation of Jews from Slovakia.

Vatican under date of December 16 transmits report on subject dated December 5 from Slovak Government of which following is substance:

The German military authorities began deporting from Slovakia in October 1944 the Jews who had been assembled by the Slovakian authorities in labor camps in Slovakia. In addition they deported Jews with American passports who had been residing in the Marianka Castle near Bratislava. When the Slavic Government protested against these measures, the Germans replied that the Jews in Slovakia, after having obtained arms from the partisans, attacked German soldiers with these arms and since Slovakia is becoming the battlefield (according to the Germans) a group of persons who would take up arms again to fight against the Germans when a favorable occasion arises cannot be allowed to remain on this territory. As for the Jews with American passports, the German authorities have indicated that all these Jews will be exchanged against Germans. Until the arrival of the Germans from the United States, the Jews are being detained on German territory where naturally they will be treated in a proper (convenient) manner. The report from the Slovak Government ends with the statement that at the time of writing, the representative of the International Red Cross committee is in Bratislava and can see for himself what the situation is.

TAYLOR

LMS

DSH-1289
Distribution of true
reading only by special
arrangement. (SECRET-W)

Lisbon

Dated December 18, 1944

Rec'd 6:17 p.m.

Secretary of State,

Washington.

4236, December 18, 5 p.m.

WRB 277, JDC 139 FOR AZAVITT FROM PILFEL

Schwartz asks for million monthly Switzerland
instead of remittance 750. Further in reference
our 138.

Please make addition of 200 monthly for
unliberated Poland.

NCRWEB

JT

TR-1320
Distribution of true
reading only by special
arrangement. (SECRET-W)

Stockholm
Dated December 18, 1944
Rec'd 7:46 p.m.

Secretary of State
Washington

5167, December 18, 5 p.m. (SECTION ONE OF TWO)

114 FOR WRB

Summary of Trammal - Evensen report for the month of November on
Norwegian operations follows:

Expenditures for the month were approximately 292,000 Swedish kroner
for clothing, footwear, feed, licensing of packages and refugee transpor-
tation, and 133,000 Norwegian kroner. 559 licensed packages with about
6,625 kg of feed, 750 kg of clothes and 250 kg of footwear were sent.
Also 22,000 kg of various foodstuffs and a number of other commodities
were sent in a (UNDERSCORE) different way (END OF UNDERSCORING). The
Norwegian kroner were sent for various purposes and to different districts
in Norway. Necessary equipment of clothes, bedclothes, food, money
et cetera have been placed at disposal of crews on boats as previously.

JOHNSON

JT

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Stockholm
TO: Secretary of State, Washington
DATED: December 18, 1944
NUMBER: 5167

CONFIDENTIAL

Refugees numbering about 800 have arrived over the routes which the Committee maintains. Money has been placed at the disposal of refugee relief in the northern districts since the situation in the northern part of Norway has become so acute.

Since the Committee has received no new contributions during November and all available funds have been contracted for, it is felt by the Committee that if it could be sure of a certain amount each month activities could be expanded since distress among families of prisoners, refugees and those forced to evacuate is on the increase. The Committee desires to have these views communicated to the American Relief for Norway, Inc., and they forward at the same time their heartiest thanks for the confidence and great economic support which has so far been given.

We are sending by pouch a full report regarding this.

JOHNSON

DOR:IDB:MLM 12-20-44

SECRET

OPTEL No. 408

Information received up to 10 a.m., 18th December, 1944.

1. NAVAL

GREECE. On 15th and 16th one of H.M. Destroyers and a minesweeper supported the evacuation of British troops from Krioneri, Gulf of Patras. One of H.M. Canadian Frigates and Corvettes yesterday claim a hit in an attack on a U-boat off Cork Harbour.

2. MILITARY

WESTERN FRONT. No appreciable change in Colmar Pocket. U.S. Seventh Army has crossed German frontier in a number of places in the general area Lauterbourg and Wissembourg as has also U.S. Third Army east of Sarreguemines. Germans have heavily counter attacked U.S. First Army along whole front from Trier to as far north as Linnich, main weight appears directed eastwards on Malmedy area. Enemy troops had penetrated to within 3 miles of that town by 4 p.m. 17th.

ITALY. Indian and New Zealand troops have cleared the area south of Highway 9 and east of River Senio and contact with enemy established along railway which runs parallel to and north of Highway 9 between Faenza and the Senio. Faenza itself not yet clear of enemy.

GREECE. Since defeat of large scale ELAS attacks in centre of Athens on 13th and 14th activity there has been on reduced scale. Our troops aided by reinforcements from Italy have made progress in clearing Piraeus and on 16th liquidated an important ELAS strongpoint overlooking Phaleron Bay. ELAS now control majority of rest of Greece where state of acute tension and unrest prevails.

BURMA. Our forces have occupied Pinlebu. 14th Army troops advancing from Chindwin have linked up with our forces operating from the north along the Myitkyina/Mandalay railway in area Od Katha.

3. AIR

WESTERN FRONT. 16th/17th. About 92 enemy aircraft dropped parachute troops behind the Allied lines in Forest area Northeast Malmedy. Unconfirmed reports state 23 aircraft destroyed by A.A. and 41 probably destroyed.

17th. 251 fighters and fighter bombers (3 missing) scored 11,03 over northern battle area. 1117 U.S. aircraft over Central Battle area met about 235 German aircraft of which 96 claimed destroyed, 9 probably and 46 damaged. Over 250 railway rolling stock, 400 motor transport and 30 armoured vehicles reported destroyed or damaged. 31 U.S. aircraft not returned but 5 believed landed in Allied territory. 500 aircraft (3 missing) operated successfully over southern sector.

17th/18th. Bomber Command sent out 1306 aircraft: Duisburg - 523, Ulm - 330, Munich - 289, other tasks - 164. Ten missing. From incomplete reports; Munich - clear weather, good concentration; Ulm: some cloud, good sky marking and attack appeared satisfactory; Duisburg: no reports yet available.

MEDITERRANEAN. 16th. 549 escorted U.S. heavy bombers (13 missing) attacked Brux oil plant - 603 tons, Pilsenskoda works - 164 and Innsbruck railway centre - 208. Results unobserved. 157 bombers and fighters attacked concentrations motor transport along roads N.E. Podgorica with good results. 646 fighters and fighter bombers (1 missing) operated over battle areas.

4. HOME SECURITY

To 7 a.m. 18th. Late afternoon 17th 1 rocket. During night 3 rockets. Between 4 a.m. and 6 a.m. about 60 flying bombs plotted.